

353
h73ba
1987
Vol. 2

PLEASE RETURN

BUDGET ANALYSIS 1987 BIENNIUM

VOL. II

STATE DOCUMENTS COLLECTION

JAN 23 1985

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620



OFFICE OF THE LEGISLATIVE FISCAL ANALYST

HELENA, MONTANA • JANUARY 1985



MONTANA STATE LIBRARY
1515 E. GOV. AVE.
HELENA, MONTANA 59620



BUDGET ANALYSIS
1987 BIENNIUM
Presented to the 1985 Legislature

Volume II

Submitted by
The Office of the Legislative Fiscal Analyst

Helena, Montana

January 1985

LEGISLATIVE FINANCE COMMITTEE

Senator Fred Van Valkenburg
Chairman

Representative Gene Donaldson
Vice Chairman

Senator Roger Elliott
Senator Jack Haffey
Senator George McCallum
Senator Pat Regan
Senator Ed B. Smith

Representative Francis Bardanouve
Representative Esther Bengtson
Representative Ron Miller
Representative Ray Peck
Representative Calvin Winslow

OFFICE OF THE LEGISLATIVE FISCAL ANALYST STAFF

Judy Rippingale, Legislative Fiscal Analyst
Curtis M. Nichols, Principal Analyst
Dr. Peter Blouke, Senior Analyst
Judith M. Curtis, Senior Analyst
Clifford D. Roessner, Senior Analyst
Keith Wolcott, Senior Analyst
Richard Gilbert, Associate Analyst
Pamela Joehler, Associate Analyst
Katherine Burton, Assistant Analyst
Taryn Purdy, Assistant Analyst
Madalyn Quinlan, Assistant Analyst
Bill Sykes, Assistant Analyst
Don Witmer, Assistant Analyst
Denise R. Thompson, Administrative Secretary
Edna St. Laurent, Secretary
Jane Thorsen, Secretary



JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA
Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

January 1985

Members of the Forty-Ninth Legislature
Members of the Legislative Finance Committee

In accordance with the provisions of 5-12-302, MCA, I submit for your consideration an analysis of the executive budget for the 1987 biennium. The purpose of this analysis is to assist the legislature in performing its duties which are set forth in Article VIII of the Montana constitution as follows:

Article VIII, Section 9 - Balanced Budget. Appropriations by the legislature shall not exceed anticipated revenue.

Article VIII, Section 12 - Strict Accountability. The legislature shall by law insure strict accountability of all revenue received and money spent by the state and counties, cities, towns, and all other local governmental entities.

The Budget Analysis is designed to be a working document containing fiscal information relevant to appropriation decisions. We are available to assist all legislators in obtaining information related to fiscal issues.

Respectfully submitted,

A handwritten signature in cursive script that reads "Judy Rippingale".

Judy Rippingale
Legislative Fiscal Analyst

BUDGET ANALYSIS

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
SUBCOMMITTEE ORGANIZATION AND STAFF	2
GENERAL FUND EXPENDITURES BY SUBCOMMITTEE AREA	5
TOTAL EXPENDITURES BY SUBCOMMITTEE AREA	7
SUMMARY OF BUDGET ISSUES	8
GENERAL FUND SUMMARY	13
EXECUTIVE GENERAL FUND SUPPLEMENTAL REQUESTS	15
FTE COMPARISON	16
GENERAL FUND EXPENDITURE SUMMARY BY AGENCY	17
GENERAL FUND REVENUE PROJECTION	21
INFLATION FACTORS USED IN BUDGET ANALYSIS	48
EXECUTIVE PAY PLAN PROPOSAL	50
BUDGET ANALYSIS	
LEGISLATIVE, JUDICIAL, AND ADMINISTRATIVE	56
NATURAL RESOURCES AND COMMERCE	322
INSTITUTIONS	510
EDUCATION	638
HUMAN SERVICES	835
INDEX	1032



Digitized by the Internet Archive
in 2010 with funding from
Montana State Library

<http://www.archive.org/details/budgetanalysis19872mont>

INSTITUTIONS



DEPARTMENT OF INSTITUTIONS--CENTRAL OFFICE

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	164.10	\$21,525,577	\$30,830,066
LFA Current Level	<u>166.90</u>	<u>22,004,144</u>	<u>30,461,404</u>
Executive Over (Under) LFA	<u>=(2.80)</u>	<u>\$(478,567)</u>	<u>\$ 368,662</u>

The executive budget is \$368,662 above the LFA current level. The difference in total funding is due primarily to the higher amount of alcohol earmarked tax and federal block grant funds the executive projects are available to fund community programs in alcohol and drug and mental health. The executive budget includes 2.80 fewer FTE than the current level. Most other major differences are due to the lower inflation rates used in the executive budget. The following issues reflect the major differences between the executive budget and current level.

DIRECTOR'S OFFICE

Issue 1: Addition of 1.5 FTE Positions

The executive budget includes an additional auditor position and a .5 FTE lawyer position costing \$78,478. The Director's Office was authorized an additional .5 FTE lawyer by the 1983 legislature, making the total authorized lawyer positions 1.5 FTE. The executive budget makes the half-time lawyer full-time. The auditor position is new.

MANAGEMENT SERVICES DIVISION

Issue 2: Data Entry Operator

The current level deleted a data entry operator position that was vacant all of fiscal 1984, while the executive budget transferred .5 FTE of this position to the Director's Office and retained .5 FTE in this program at a cost of \$16,335.

Issue 3: Data Processing Fees

The current level decreased \$23,195 of data processing fees associated with the 1985 biennium data processing modified. The executive budget has continued these costs of \$48,246.

ALCOHOL AND DRUG ABUSE DIVISION

Issue 4: Distribution of Alcohol Earmarked Tax to Counties

The executive budget includes \$3,505,263 of alcohol earmarked tax for distribution to county alcohol programs compared with \$2,995,412 included in the current level. The executive is projecting increases in the earmarked alcohol tax while the LFA current level projects declining revenues.

Issue 5: Alcohol and Drug Grants to Approved Community Programs

The executive budget includes \$2,563,150 for grants to approved community alcohol and drug programs, while the current level is \$2,487,430. These programs are funded with general fund and federal block grant funds. The current level includes \$496,404 block grant funds in support of the alcohol earmarked distribution to counties.

Issue 6: Funding

a. The executive budget includes \$4,242,450 of alcohol earmarked tax while the current level is \$3,669,506, a difference of \$572,944. The executive is projecting increases of 10.2 percent from fiscal 1984 to fiscal 1986 and 5.6 percent from fiscal 1986 to fiscal 1987 while the current level uses 5.7 and 0.1 percent, respectively.

b. The executive budget includes block grant funds of \$2,090,650 while the current level is \$2,137,928. The executive projects fewer carryover funds from the 1985 biennium.

Issue 7: Jobs Bill

The executive budget includes \$94,550 of jobs bill grants not included in current level. The department received jobs bill grants in October of 1983, but has not received notification of extension or renewal of the grant from the federal government.

CORRECTIONS DIVISION

Issue 8: Position Changes

The executive budget transfer 1 FTE to the Director's Office to provide authority and funds for a .5 FTE lawyer position and one-half of a requested auditor position. The executive budget also eliminates the Youth Evaluation Program located in Great Falls. This program contained 6 FTE. The current level has not included this program. The executive budget includes one new parole and probation officer and a half-time secretary for the Missoula Pre-release

Center that are not included in the current level. The current level deletes two administrative officer positions which were vacant most of fiscal 1984.

Issue 9: Equipment

The executive budget includes \$57,106 of equipment primarily for the replacement of parole and probation vehicles, while the current level analysis includes \$209,047 for this purpose.

WOMEN'S CORRECTIONAL PROGRAM

Issue 10: Position Deletions

The executive budget deleted 1.85 FTE vacant correctional officers and 1 FTE life skills attendant while the current level deletes 1.55 FTE correctional officers on the basis of estimated average daily population and returning to six posts, but retaining the relief factor of 1.55. The current level also deleted a life skill attendant in the Billings Women's Pre-release Center.

CORRECTIONS MEDICAL PROGRAM

Issue 11: Physician Position

The executive budget transfers the physician to the prison, while the current level includes the position here at a cost of \$141,594.

MENTAL HEALTH AND RESIDENTIAL SERVICES DIVISION

Issue 12: Federal Jobs Bill

The executive budget includes \$157,626 of jobs bill grants not included in current level. The department has not received notification of extension or renewal of the grant from the federal government.

Issue 13: Funding

The executive includes \$2,653,651 of federal block grant funds while the current level includes \$2,584,294. The difference is due to the executive projecting an increase in the amount of block grant funds from the federal government while the current level anticipates no increase.

INSTITUTIONS - CENTRAL OFFICE

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	173.45	172.45	166.90	166.90	(3.6)
Personal Service	\$ 3,908,300	\$ 3,972,865	\$ 3,998,954	\$ 4,007,023	1.5
Operating Expense	1,788,289	2,364,143	1,881,337	1,819,954	(10.8)
Equipment	101,652	9,097	120,119	101,750	100.3
Inflation	<u>-0-</u>	<u>-0-</u>	<u>119,267</u>	<u>202,293</u>	<u>--</u>
Total Operating Costs	\$ 5,798,241	\$ 6,346,105	\$ 6,119,677	\$ 6,131,020	.8
Non-Operating Costs	<u>8,717,892</u>	<u>9,400,080</u>	<u>9,134,369</u>	<u>9,076,338</u>	<u>.5</u>
Total Expenditures	<u>\$14,516,133</u>	<u>\$15,746,185</u>	<u>\$15,254,046</u>	<u>\$15,207,358</u>	<u>.7</u>
<u>Fund Sources</u>					
General Fund	\$ 9,953,624	\$10,885,486	\$10,879,311	\$11,124,833	5.6
State Special	1,927,979	2,111,895	1,851,616	1,817,890	(9.1)
Federal Revenue	2,600,978	2,715,172	2,523,119	2,264,635	(9.9)
Proprietary Fund	<u>33,552</u>	<u>33,632</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$14,516,133</u>	<u>\$15,746,185</u>	<u>\$15,254,046</u>	<u>\$15,207,358</u>	<u>.7</u>

The Central Office of the Department of Institutions provides direction and administrative support for the state's institutions and community programs involving corrections, mental health and alcohol and drug abuse, as well as the institutional programs for the developmentally disabled. Programs within the Central Office are: the Director's Office, Corrections Division, Mental Health and Residential Services Division, Alcohol and Drug Abuse Division, and Management Services Division. Each program will be discussed in the narrative that follows.

A total of 6.55 FTE have been deleted from the Central Office current level budget. They include the institutional industries coordinator, a data entry operator, two administrative officers in the Corrections Division, 1.55 correctional officers at the Women's Correctional Facility, and one life skills attendant at the Women's Pre-release Center.

General fund increases 5.6 percent primarily as a result of increasing contracts of the pre-release centers and the general fund support for community mental health. Alcohol state special revenue funds are expected to decline in the 1987 biennium as well as available federal block grant funds.

The proprietary funds were generated by the Industries Program to support the industries coordinator whose position has been deleted.

DIRECTOR'S OFFICE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	9.50	9.50	8.50	8.50	(12.8)
Personal Service	\$326,967	\$316,570	\$304,217	\$304,864	(5.3)
Operating Expense	41,619	45,789	44,097	36,030	(8.3)
Equipment	216	1,043	-0-	-0-	(100.0)
Inflation	-0-	-0-	1,549	3,180	--
Total Expenditures	<u>\$368,802</u>	<u>\$363,402</u>	<u>\$349,863</u>	<u>\$344,074</u>	<u>(5.2)</u>
<u>Fund Sources</u>					
General Fund	\$335,250	\$329,770	\$349,863	\$344,074	4.3
Proprietary Fund	<u>33,552</u>	<u>33,632</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$368,802</u>	<u>\$363,402</u>	<u>\$349,863</u>	<u>\$344,074</u>	<u>(5.2)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Lawyer to Full-time	\$ 13,622	-0-	\$13,627	-0-
2. Addition of Management Analyst				
Option a:	\$ 23,597	-0-	\$23,606	-0-
Option b:	\$(66,738)	-0-	\$23,606	-0-

The Director's Office of the Central Office coordinates and directs the administrative tasks of the Department of Institutions. The director, through his staff and administrative programs of the Central Office, assures the financial solvency and integrity of the department, assures uniform and appropriate personnel, budget, and legal policies and procedures throughout the department, assures that appropriate legal and inmate/patient treatment policies are maintained, and oversees the construction and maintenance programs of the 11 institution campuses.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. A .5 FTE lawyer has been added above the authorized level. Vacancy savings were insufficient to fund the pay plan increases. The personal services shortfall was funded by savings in operating costs. The operating expense savings were in contract services, communications, and travel. The contracted Professional Standards Review cost \$2,450 less than anticipated while the new phone system appears to have been

DEPARTMENT OF INSTITUTIONS

Page 3

\$3,100 less expensive to operate than anticipated. The Director's Office spent \$4,618 less in travel and approximately \$500 more for subscriptions than anticipated.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.50	10.00	(.50)
Personal Services	\$317,196	\$326,967	\$(9,771)
Operating Expenses	51,207	41,619	9,588
Equipment	795	216	579
Total Expenditures	<u>\$369,198</u>	<u>\$368,802</u>	<u>\$ 396</u>
<u>Funding</u>			
General Fund	\$335,646	\$335,250	\$ 396
Proprietary Funds	33,552	33,552	-0-
Total Funds	<u>\$369,198</u>	<u>\$368,802</u>	<u>\$ 396</u>

Current Level Adjustments

Personal services have been decreased by the deletion of the industries coordinator which was funded by the industries proprietary account. The director has determined, as a result of the position vacancy, that current staff under the supervision of the Corrections Division administrator can operate the program without the coordinator position.

Operating expenses have been increased by \$2,478 overall. Professional service contracts have been increased by \$1,625 over the current level to expand to two and one-half days the peer review of the psychiatrists and physicians at Montana State Hospital. The Professional Standards Review Organization (PSRO), which conducts the peer review, provides the department with a report and recommendations on the psychiatric and medical care provided by the medical staff at Montana State Hospital. Travel has been increased \$1,146 for a department attorney to make one trip per month to Billings for Montana Youth Treatment Center commitment hearings. Other minor adjustments which amount to less than 1 percent of the operating budget were made.

Issue 1: Lawyer to Full-time

The Director's Office hired a second full-time lawyer in April 1984. The office is authorized 1.5 FTE lawyer positions. General fund and one-half of an administrative officer I position were transferred from the Corrections Division for the additional .5 lawyer over the authorized FTE level. The administrative officer

I was a research and statistical analyst position which was vacant most of fiscal 1984 and the department determined the position was not essential to the future operations of the Corrections Division.

Based on a time summary submitted by the department, the annual hours spent by the legal staff performing its duties equates to 1.94 FTE during years the legislature is in session and 1.82 FTE in non-session years. During session years, the legal staff spends 220 hours drafting, reviewing, and testifying on bills.

The cost of the additional .5 lawyer position is \$13,622 including benefits and insurance while half of the administrative officer position amounts to \$11,556, or \$2,066 less than the amount required to fund the lawyer at full-time.

Option a: Add a .5 FTE lawyer. The cost increase to the Director's Office will be \$13,622 in fiscal 1986 and \$13,627 in fiscal 1987.

Option b: Maintain the total authorized lawyer positions at 1.5 FTE.

Issue 2: Addition of a Management Analyst

The Director's Office is requesting the addition of a management analyst to perform department-wide internal audit functions. These audit functions are to insure that: fiscal controls are being exercised; fiscal policies are being followed; cost reports are completed accurately; all proprietary operations maintain solvency; and all audit recommendations made by the Legislative Auditor are pursued. The office proposes to transfer general fund and the remaining half of the administrative officer I position from corrections and .5 FTE of a vacant data entry operator from the Management Services Division.

The Central Office of the department includes the Management Services Division which contains three budget analyst positions, one for each of the three programmatic divisions (i.e., corrections, alcohol and drug, and mental health). The budget analysts as well as the accounting and fiscal manager have fiscal and budgetary responsibilities which may be duplicated by the management analyst position. In addition, the Legislative Auditor conducts audits of the entire department for every fiscal year. It is projected to cost \$180,620 to audit the department in the 1987 biennium.

The management analyst position would cost \$23,111 in fiscal 1986 and \$23,120 in fiscal 1987, plus \$486 for travel in each year. The office proposes to transfer general funds associated with the positions above of \$19,642 in fiscal 1986 and \$19,665 in fiscal 1987.

Option a: Add a management analyst at a general fund cost of \$23,597 in

fiscal 1986 and \$23,606 in fiscal 1987.

Option b: Authorize the addition of this position and fund its costs by rotating the legislative audits to once every other biennium. If schedules were altered so as to audit each institution every other biennium, it would save the department \$90,335 in legislative audit costs for the 1987 biennium. The duties of this position are the same as performed by the legislative auditors when conducting a financial audit. This position could assure the fiscal controls are maintained at the institutions for those years a legislative auditor is not conducted.

The biennium cost of the auditor with travel is \$47,203 while the savings from rotating audits would be \$90,335 or a net savings of \$43,132.

Option c: Do not authorize the position.

MANAGEMENT SERVICES

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	31.00	31.00	30.00	30.00	(3.2)
Personal Service	\$659,031	\$678,400	\$678,091	\$679,160	1.4
Operating Expense	239,681	299,380	211,287	176,301	(28.0)
Equipment	57,392	3,479	837	1,272	(96.5)
Inflation	-0-	-0-	3,343	7,483	--
Total Expenditures	<u>\$956,104</u>	<u>\$981,259</u>	<u>\$893,553</u>	<u>\$864,216</u>	<u>(9.2)</u>
<u>Fund Sources</u>					
General Fund	<u>\$956,104</u>	<u>\$981,259</u>	<u>\$893,553</u>	<u>\$864,216</u>	<u>(9.2)</u>

<u>ISSUES: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Phase I of Data Base	?	-0-	?	-0-
2. Computer Purchase Contract	\$(138,000)	-0-	-0-	-0-

The Management Services Division of the Central Office provides technical assistance to the institutions in budgeting, accounting, and other management areas. The Reimbursement Field Section is responsible for billing and collecting for services provided to residents in the state's institutions. The Information and Systems Bureau is responsible for coordinating data processing projects within the department.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	31.00	31.00	0.00
Personal Services	\$679,090	\$659,031	\$ 20,059
Operating Expenses	298,179	239,681	58,498
Equipment	<u>-0-</u>	<u>57,392</u>	<u>(57,392)</u>
Total Costs & General Fund	<u>\$977,269</u>	<u>\$956,104</u>	<u>\$ 21,165</u>

The personal services savings of \$20,059 is the result of leaving a budget analyst position vacant and normal position turnover. The division contracted for a budget analyst intern in lieu of filling the authorized position during fiscal 1984. The actual impact of this arrangement, if the contract cost of \$15,877 for the intern were transferred to personal services, if the division spent \$74,375 less in operating than anticipated.

Savings of \$58,354 in operating costs were realized within the data processing needs study authorized by the 1983 legislature. The department was authorized \$81,740 for the study in fiscal 1987. By performing most of the programming with department employees rather than contract programmers and purchasing, instead of renting hardware, a savings occurred in operating expense. However, due to the purchase of hardware, \$57,392 more was spent on equipment than anticipated.

The biennial audit by the Legislative Auditor cost \$10,399 less than the \$35,000 authorized. Word processing equipment paid off in fiscal 1984 resulted in a savings of \$3,497. Savings in travel and communications were offset some by overexpenditures of supplies and repairs.

Current Level Adjustments

Personal services have been reduced by one data entry operator position which the division has determined is unnecessary.

Operating expenses have been reduced \$23,386 for the data processing study expenditures and \$15,877 for the budget analyst intern contract. Contract services includes the Legislative Auditor's estimate of \$35,000 for the 1987 biennium Central Office audit. This is a \$10,399 increase over the fiscal 1984 actual audit cost. Building rent charges from the Department of Administration

have been decreased \$184. The Department of Administration's charges for insurance coverage increased \$969, while other adjustments made amounted to less than 1 percent.

The division requested four typewriters, two in each year of the biennium, and two calculators in fiscal 1987. Current level includes one typewriter in each year and two calculators in fiscal 1987.

Issue 1: Department of Institutions Data Processing Study

The 1983 legislature authorized \$81,740 in fiscal 1984 and \$108,333 in fiscal 1985 to increase the department's data processing capabilities. The department contracted for technical assistance through the National Institute of Corrections to assess the current and future information needs and define an automated system that would meet the assessed needs. Although the assessment covered corrections, alcohol and drug and mental health needs, the primary focus was on corrections. Based on this study and recommendations of the Computer Services Division of the Department of Administration, the department is developing a new data base information system using a four-phase program for implementation. The following is a brief description of each phase.

Phase 1: This system, including all hardware, software, and necessary programs will be in place in Central Office and Montana State Prison. This phase is designed to track the inmate through the Corrections System. Additionally, this phase will provide management much needed information. The applications will include inmate programs (i.e. Drug Programs, AA, Education Programs) and the assignments (i.e. tag factory, slaughterhouse, dairy dorm). The applications would provide information on the number of inmates in each, number of program/assignments openings, historical data, good time earned, etc; classification/the classification on each inmate, number of inmates in each classification, housing, number of open cells in living units, good time earned relative to classification, etc; calculations for release including up-to-date automated tracking of parole eligibility dates and discharge dates. As these dates would be updated daily the risk of detaining inmates past their release date is greatly reduced and the subsequent risk of litigation is averted.

Phase 2: All adult clients served by the Corrections Division would now be included in the information system. This phase would also account for all inmates from pre-release centers and clients on probation or parole. Additionally, all disciplinary, parole and revocation hearing applications would be on-line. This phase would provide management information to adjust probation/parole officer caseloads, keep pre-release centers filled to capacity, and predict future trends with the adult offenders.

Phase 3: All applications relative to the medical records would be on-line. Some examples of applications would be an automated, medical file on each inmate; a historical file on each inmate; information relative to all procedures performed by the medical staff daily/monthly/yearly, etc.

Phase 4: Basically, this phase would provide management applications to examine cost versus the result, plus an automated inmate pay and accounting system.

The department is currently in the development portion of Phase 1. In fiscal 1984, the department spent \$23,195 for system development and processing of Phase 1 and \$54,558 for data processing equipment to test and operate the new system. The first test of the system is scheduled for November 1984. Until the system is tested, the department and Computer Services Division can only estimate the operating costs. The estimate to operate Phase 1 is \$20,000 per month or \$240,000 annually; however, the department is currently studying alternatives and has not requested any additional funds to operate the system during the 1987 biennium or provided information on the benefits or savings resulting from the implementation of the system.

Option a: Require that the department provide the subcommittee a detailed analysis of the costs and benefits of the Phase 1 portion of the data processing system. To be included in the analysis would be a projection of any actual savings the department might realize as a result of implementing each phase of the new system. Authorize additional expenditures on the remaining three phases contingent upon the department's presenting a similar analysis for each phase of the program.

Option b: If a satisfactory plan, including costs and benefits, does not justify further consideration, require the equipment purchased with general fund to be transferred to another general funded program requesting like computer equipment.

Issue 2: Department of Institutions Personal Computer/Word Processing Purchase Contract

The department entered into a \$138,000 contract at the end of fiscal 1984 with CSD for the purchase of 12 personal computers/word processors, one for each of the institutions and Central Office. Each institution has accrued \$10,000 in fiscal 1984 for this purpose. To date, actual orders have not been placed pending an institution-by-institution analysis of need.

The department director stated that the top priority is to provide word pro-

cessing capabilities for each institution. He also stated that if a personal computer with word processing enhancements would provide word processing and upgrade the department's data processing capabilities, then they would order personal computers. However, the institutional computers are not part of the data processing study discussed in Issue 1.

The funds for this purchase come from the budgets of each institution. The affect on each budget is discussed under each institutional comparison report of actual expenses to the appropriation.

Option a: Require the department to revert all institutional accrued funds.

Option b: Allow the department to purchase the institutional equipment, but restrict the purchase to word processing equipment. Any computer purchase would have to be included in the institution-wide analysis of costs and benefits discussed in Issue 1.

ALCOHOL, DRUG ABUSE AND MENTAL HEALTH SERVICES (ADMS) BLOCK GRANT

The Alcohol and Drug Abuse Division (ADAD) and Mental Health and Residential Services Division receive ADMS block grant funds for distribution to community alcohol, drug abuse, and mental health treatment programs. The Omnibus Reconciliation Act of 1981 replaced federal categorical grants to the states with block grants. Provisions of the act made block grant funds available while states were still receiving categorical grants and allowed the state to carry forward unexpended block grant funds two years beyond the year they were awarded. For Montana, these provisions resulted in a windfall of excess federal funds which have been carried forward into the 1985 biennium.

In the 1987 biennium, there are two factors which will alter and reduce the federal funds available for alcohol and mental health programs--new federal legislation and less carryover funds.

New legislation at the federal level will affect the amount and use of Montana's block grant funds in the 1987 biennium. As a result of a new allocation formula, block grant funds are not expected to increase over the 1985 level of \$2,153,000. Additionally, the Alcohol and Drug Abuse Division is required to use 5 percent of the block grant, \$107,650 within the ADAD allocation, to develop and expand alcohol and drug abuse services to women. The Mental Health Division is required to use 10 percent of the mental health allocation, \$123,517, to develop comprehensive mental health services for severely disturbed children and provide services in unserved or underserved areas. Without additional funds,

existing services will have to be reduced to provide the services mandated in the block grant.

Fiscal 1984 expenditures for alcohol drug abuse and mental health programs exceeded the 1984 block grant by \$382,499 and are expected to exceed the 1985 award by \$536,735 during fiscal 1985. The unexpended balance from prior block grant awards has been carried forward to fund these excess expenditures. The carry forward of \$416,222 into the 1987 biennium is insufficient to maintain the current level programs. Table 1 reflects expected block grant revenues and current level program expenditures.

The table shows that as carryforward funds are exhausted, block grant expenditures must be reduced to the level of the actual grant award or other funding resources allocated to the program.

Provisions of the ADMS block grant allow the state to move up to 25 percent of the block grant between the alcohol and drug activities and mental health activities.

Table 1
Alcohol, Drug Abuse and Mental Health Services (ADMS) Block Grant
Revenue/Expenditure Plan 1984-1987

	-----ADAD (42.63%)-----				-----Mental Health (57.37%)-----			
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987
Annual Grant Award \$2,153,000								
Revenue								
Unexpended Balance Carry Forward	\$ 695,004	\$ 544,211	\$ 302,280	\$ -0-	\$ 640,452	\$ 408,746	\$ 113,942	-0-
State Fiscal Year Block Grant	906,527	917,824	917,824	917,824	1,219,973	1,235,176	1,235,176	1,235,176
Total Block Grants Available	\$1,601,531	\$1,462,035	\$1,220,104	\$ 917,824	\$1,860,425	\$1,643,922	\$1,349,118	\$1,235,176
Expenditures								
Operating	\$ 53,552	\$ 60,482	\$ 32,508	\$ -0-	\$ 179,133	\$ 198,648	\$ 215,300	\$ 215,300
Non-Operating	1,003,768	1,099,273	1,219,435	1,294,924	1,272,546	1,331,332	1,384,580	1,439,963
Total Expenditures	\$1,057,320	\$1,159,755	\$1,251,943	\$1,294,924	\$1,451,679	\$1,529,980	\$1,599,880	\$1,655,263
Unexpended Balance to Carry Forward	\$ 544,211	\$ 302,280			\$ 408,746	\$ 113,942		
Unfunded Program Costs			\$ (31,839)	\$ (377,100)			\$ (250,762)	\$ (420,087)

ALCOHOL AND DRUG ABUSE DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	10.00	10.00	10.00	10.00	(0.0)
Personal Service	\$ 255,165	\$ 282,188	\$ 271,947	\$ 272,359	1.2
Operating Expense	100,649	109,000	109,605	89,860	(4.8)
Equipment	8,125	3,000	5,000	5,000	(10.1)
Inflation	-0-	-0-	4,664	8,405	--
Total Operating Costs	\$ 363,939	\$ 394,188	\$ 391,216	\$ 375,624	1.1
Non-Operating Costs	<u>2,907,686</u>	<u>3,130,750</u>	<u>2,900,897</u>	<u>2,581,945</u>	<u>(9.2)</u>
Total Expenditures	<u>\$3,271,625</u>	<u>\$3,524,938</u>	<u>\$3,292,113</u>	<u>\$2,957,569</u>	<u>(8.0)</u>
<u>Fund Sources</u>					
General Fund	\$ 219,592	\$ 230,925	\$ 191,005	\$ 191,005	(15.2)
State Special	1,927,979	2,111,895	1,851,616	1,817,890	(9.1)
Federal Revenue	<u>1,124,054</u>	<u>1,182,118</u>	<u>1,249,492</u>	<u>948,674</u>	<u>(4.6)</u>
Total Funds	<u>\$3,271,625</u>	<u>\$3,524,938</u>	<u>\$3,292,113</u>	<u>\$2,957,569</u>	<u>(8.0)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Earmarked Revenue Shortfall				
Option a:	-0-	\$31,839	-0-	\$377,313
Option b:	\$31,839	-0-	\$377,313	-0-

The Alcohol and Drug Abuse Division's (ADAD) role is to administer chemical dependency programs and distribute state funds to certified community programs. The division approves treatment facilities and programs, certifies and establishes standards for chemical dependency counselors, plans and provides training for approved programs, and prepares a long-term state chemical dependency plan. Funding for the division consists of general fund for drug contracts, 42.63 percent of the alcohol, drug abuse, and mental health services block grant, and state liquor tax.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

DEPARTMENT OF INSTITUTIONS

Page 13

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	10.00	10.00	0.00
Personal Services	\$ 282,492	\$ 255,165	\$ 27,327
Operating Expenses	101,511	100,649	862
Equipment	<u>3,000</u>	<u>8,125</u>	<u>(5,125)</u>
Total Operating Costs	\$ 387,003	\$ 363,939	\$ 23,064
Non-Operating Costs	<u>2,862,093</u>	<u>2,862,035</u>	<u>58</u>
Total Expenditures	<u>\$3,249,096</u>	<u>\$3,225,974</u>	<u>\$ 23,122</u>
<u>Funding</u>			
General Fund	\$ 219,606	\$ 219,592	\$ 14
State Special	1,929,957	1,927,979	1,978
Federal Revenue	<u>1,099,533</u>	<u>1,078,403</u>	<u>21,130</u>
Total Funds	<u>\$3,249,096</u>	<u>\$3,225,974</u>	<u>\$ 23,122</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 45,651	\$(45,651)

Personal service savings are a result of high turnover of division positions. Seven of the division's ten positions turned over during fiscal 1984.

Total operating costs were \$862 under authorized; however, within individual operating categories wide variances occurred. Contracted services were \$12,345 more than budgeted as a result of contract audits performed on programs receiving federal block grant funds. These audits are performed by private accountants through contracts with the Legislative Auditor's Office. The number of programs receiving federal block grant funds increased as a result of using those funds to replace shortfalls in earmarked revenue as authorized by the 1983 legislature. Savings generated in communications, travel, and rent combined to offset the overexpenditure of contracted services. Communication expenses in fiscal 1984 were less than the two previous fiscal years and \$4,683 less than budgeted. Travel was \$5,995 less than anticipated as a result of the high turnover of division staff during fiscal 1984. Rent was reallocated between the divisions of the Central Office during the year resulting in a savings to ADAD of \$2,659.

Equipment was overspent \$5,125 as a result of a \$2,000 accrual for the department personal computer/word processing purchase plan and spending \$2,967 more on films than budgeted.

The division received federal jobs bill block grant funds during fiscal 1984. A budget amendment for \$57,124 was submitted and approved. The division spent \$45,651 of these funds in fiscal 1984 to provide employment counseling for

unemployed chemically dependent people.

Current Level Adjustments

Contract services were increased \$3,057 in fiscal 1986 to allow the division to change its annual program audits to biennial audits. Federal fiscal 1985 block grant language has changed the annual requirement to allow a biennial audit covering both fiscal years. While this change will cost \$3,057 more in fiscal 1986, there will be no cost in fiscal 1987 or a net savings over the biennium of \$13,636.

Travel costs were increased \$6,155 from the fiscal 1984 actual to get the division back to its authorized level. The division's high turnover during fiscal 1984 resulted in a reduced level of travel. Other minor adjustments amounted to an increase of less than 1 percent.

Equipment includes \$5,000 in each fiscal year to purchase alcohol and drug treatment and prevention films to add to the film library. This will add ten films each year to the 100 films already in the library. Treatment programs as well as schools, churches, civic organizations, and the general public have access to these films. During fiscal 1984, library films were used 977 times by programs and individuals.

The non-operating expenses are comprised of three programs: the distribution of liquor tax earmarked for counties, the general fund portion of the discretionary drug grants to state approved programs, and the federal block grant portion of both alcohol and drug discretionary grants, as well as, federal block grant used for the liquor tax shortfall. Non-operating expenses were reduced \$6,789 overall. Table 2 reflects adjustments made.

Table 2
Alcohol and Drug Abuse Division Non-Operating Expenses
Fiscal 1984, 1986, and 1987

<u>Program</u>	<u>Fiscal 1984</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>% Change FY84-FY86</u>
Drug Program	\$ 625,478	\$ 596,891	\$ 596,891	(4.6)
Alcohol Program	2,236,557	2,304,006	1,985,054	3.0
Employment Counseling	<u>45,651</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Program Costs	<u>\$2,907,686</u>	<u>\$2,900,897</u>	<u>\$2,581,945</u>	<u>(.2)</u>
General Fund	\$ 219,592	\$ 191,005	\$ 191,005	(13.0)
Alcohol Tax	1,638,675	1,522,296	1,473,116	(7.1)
Block Grant	1,003,768	1,187,596	917,824	18.3
Jobs Bill	<u>45,651</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Program Funding	<u>\$2,907,686</u>	<u>\$2,900,897</u>	<u>\$2,581,945</u>	<u>(.2)</u>

The Drug Program has been reduced \$28,587 to maintain the same ratio of general fund to federal funds as has been done the two previous bienniums. The federal funds in the Drug Program remain at current level, \$405,886, while general funds are reduced to 32 percent of the total or \$191,005. The Alcohol Program decreases \$67,449 from fiscal 1984 to fiscal 1986 and \$318,952 from fiscal 1986 to fiscal 1987. The Alcohol Program is funded by alcohol earmarked revenue and federal block grant funds. As shown in Table 2, the alcohol tax decreases \$116,379 while block grant funds increase \$183,828 or a net increase of \$67,449. With all the block grant carryover funds expended in fiscal 1986, the entire amount of remaining block grant available in fiscal 1987 is \$917,824 or \$269,772 less than fiscal 1986. Alcohol tax decreases an additional \$49,180 in fiscal 1987.

The division has not received notification from the federal government continuing the jobs bill beyond the initial grant award. The employment counseling funded by the jobs bill has been deleted for the 1987 biennium.

Issue 1: Alcohol Earmarked Revenue Shortfall

The alcohol earmarked revenue allocated to the Department of Institutions comes from 65.5 percent of the liquor license tax and a volume tax on wine and beer. In addition, Title 53-1-413(2) provides for the deposit of per diem

payments from the Montana State Hospital Alcohol Program at Galen into the alcohol earmarked revenue account.

The department uses the earmarked revenues to fund a portion of ADAD administration, the Alcohol Treatment Program at Montana State Hospital, DUI test, at the forensic lab in Missoula, and alcohol counselors for Pine Hills, the prison, and Swan River Youth Forest Camp. The balance is distributed to the counties using the 85/15 formula defined in 53-24-206, MCA. The 85 percent is allocated according to the county's population in proportion to the total state population and 15 percent is allocated based on the county's land area in proportion to the state total land area. Table 3 shows actual and anticipated alcohol earmarked revenues and expenditures for fiscal 1984 through fiscal 1987.

Table 3
Alcohol Earmarked Revenue and Expenditures
1985 and 1987 Biennium

	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987
Revenues	\$3,700,746	\$3,580,359	\$3,579,204	\$3,553,921
Expenses				
ADAD Admin.	\$ 289,306	\$ 311,343	\$ 329,320	\$ 344,774
Galen	1,519,454	1,584,387	1,538,078	1,544,353
Forensic Lab	90,276	95,692	85,211	87,336
Counselors	82,638	99,870	104,299	104,342
Total State Expense	<u>\$1,981,674</u>	<u>\$2,091,292</u>	<u>\$2,056,908</u>	<u>\$2,080,805</u>
County Distribution	<u>\$1,719,072</u>	<u>\$1,489,067</u>	<u>\$1,522,296</u>	<u>\$1,473,116</u>

As indicated in Table 3, alcohol earmarked revenues are declining while state program expenditures are increasing. Thus, funds remaining for distribution to counties are declining faster than the revenue decreases. In fiscal 1984, \$199,258 of block grant funds were distributed to the counties as a result of the decreasing alcohol funds. Table 4 shows the County Distribution Program and funding for fiscal years 1984 to 1987 if current funding levels are maintained through the 1987 biennium.

Table 4
Alcohol Earmarked Revenue County Distribution

Revenue	Actual Fiscal 1984	Budget Fiscal 1985	- - Current Level - - Fiscal 1986	Fiscal 1987
Alcohol Tax	\$1,638,675	\$1,569,424	\$1,522,296	\$1,473,116
Block Grant	199,258	268,549	383,088	113,316
Deficit	-0-	-0-	31,839	377,313
Total Current Level Cost	<u>\$1,837,933</u>	<u>\$1,837,973</u>	<u>\$1,937,223</u>	<u>\$1,963,745</u>

The ADAD block grant carryover funds, as discussed in the block grant narrative proceeding this section, are not sufficient to maintain the program level for the 1987 biennium. As shown in Table 4, there is a deficit for maintaining the program in fiscal 1986 and 1987.

Option a: Increase liquor taxes to cover the shortfall. It will require \$31,839 in fiscal 1986 and \$377,313 in fiscal 1987.

Option b: Fund the shortfall with general fund. This option will require \$31,839 in fiscal 1896 and \$377,313 in fiscal 1987.

Option c: Transfer block grant funds from the mental health allocation to ADAD to fund the shortfall. Provisions in the block grant allow the state to transfer up to 25 percent of the total block grant between alcohol and drug abuse and mental health activities. It would require \$31,839 or 1.5 percent of the block grant in fiscal 1986 and \$377,313 or 17.5 percent in fiscal 1987.

This option would add to projected shortfalls of the mental health block grant allocation.

Option d: Reduce programs to a level commensurate with anticipated revenues. This option is shown in the current level table.

CORRECTIONS DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	93.50	93.50	91.50	91.50	(2.1)
Personal Service	\$2,038,299	\$2,073,182	\$2,065,594	\$2,069,202	.5
Operating Expense	682,538	792,139	725,792	727,164	(1.4)
Equipment	34,164	-0-	114,287	94,760	511.8
Inflation	-0-	-0-	43,824	75,060	--
Total Operating Costs	\$2,755,001	\$2,865,321	\$2,949,497	\$2,966,186	5.2
Non-Operating Costs	741,186	1,036,927	1,123,540	1,179,718	29.5
Total Expenditures	<u>\$3,496,187</u>	<u>\$3,902,248</u>	<u>\$4,073,037</u>	<u>\$4,145,904</u>	<u>11.0</u>
<u>Fund Sources</u>					
General Fund	\$3,490,012	\$3,899,174	\$4,070,442	\$4,143,205	11.1
Federal Revenue	6,175	3,074	2,595	2,699	(42.8)
Total Funds	<u>\$3,496,187</u>	<u>\$3,902,248</u>	<u>\$4,073,037</u>	<u>\$4,145,904</u>	<u>11.0</u>

The Corrections Division Administration provides coordination, supervision, and support to the correctional programs of the state. These programs include Montana State Prison, Swan River Youth Forest Camp, Pine Hills School, Mountain View School, Women's Correctional Facility, pre-release centers in Billings, Missoula, Great Falls, and Butte, Juvenile Aftercare, Parole and Probation, and the Corrections Medical Programs.

The Corrections Division left two administrative officer positions vacant in fiscal 1984 that have been deleted from the current level budget. The positions deleted are a research analyst in Corrections Administration and an aftercare field officer from the Aftercare Program.

Contracts for non-state operated pre-release centers have increased 29.5 percent with the addition of two new centers in fiscal 1984. Neither center reached capacity during fiscal 1984, but the centers are expected to operate at full capacity in the 1987 biennium.

Equipment funds were included to replace high mileage parole and probation cars, a van for the state-run pre-release center in Missoula, and a van for the Youth Evaluation Program in Great Falls.

The Corrections Division has been divided into five subprograms: Corrections Division Administration, Men's Pre-release Center, Community-based Correction Programs, Women's Correctional Program, and Corrections Medical

Program. Changes in funding, current level adjustments and issues will be discussed under each subprogram.

CORRECTIONS DIVISION ADMINISTRATION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	13.00	13.00	12.00	12.00	(7.6)
Personal Service	\$285,667	\$318,571	\$303,451	\$303,949	.5
Operating Expense	96,316	114,639	94,710	95,170	(9.9)
Equipment	22,064	-0-	-0-	-0-	(100.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>2,786</u>	<u>5,600</u>	<u>--</u>
Total Expenditures	<u>\$404,047</u>	<u>\$433,210</u>	<u>\$400,947</u>	<u>\$404,719</u>	<u>(3.7)</u>
<u>Fund Sources</u>					
General Fund	<u>\$404,047</u>	<u>\$433,210</u>	<u>\$400,947</u>	<u>\$404,719</u>	<u>(3.7)</u>

The Corrections Division Administration provides coordination, technical assistance, and supervision to the men's and women's correctional institutions, juvenile aftercare, parole and probation, and pre-release centers.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	13.00	13.00	0.00
Personal Services	\$319,402	\$285,667	\$33,735
Operating Expenses	103,067	96,316	6,751
Equipment	<u>54,896</u>	<u>22,064</u>	<u>32,832</u>
Total Costs & General Fund	<u>\$477,365</u>	<u>\$404,047</u>	<u>\$73,318</u>

Major causes of the large surplus in personal services are: the division had four secretarial/clerical positions that were filled 80 percent of the year or less, a training officer filled 75 percent of the time, and an administrative officer position filled only 13 percent of the year. Although the division did not spend most of its equipment funds, equipment expenditures do include a \$12,000 accrual for computer/word processing equipment.

Current Level Adjustments

The division transferred .5 FTE of the vacant administrative officer position to the Director's Office in fiscal 1985 to fund .5 of the new lawyer position. In addition, the Director's Office is requesting to transfer the remaining .5 administrative officer position to help fund a new management analyst position. The administrative officer position has been removed from the Corrections Division budget.

Contract services have been reduced \$5,016 for one-time legal fees spent in fiscal 1984 and increased \$5,261 for insurance as quoted by the Department of Administration. Printing has been increased \$1,240 to cover anticipated costs of the quarterly newsletter. Travel has been increased \$635 to pay the travel costs of a contract trainer. Supply costs of \$3,564 for the EMIT testing system were in the division budget in fiscal 1984, but have been included in the budgets where the costs are incurred for fiscal 1986 and 1987. Rent charged by the Department of Administration decreased \$818. Other minor adjustments increased less than 1 percent. There is no request for equipment.

MEN'S PRE-RELEASE PROGRAM

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	11.50	11.50	11.50	11.50	(0.0)
Personal Service	\$ 225,768	\$ 208,212	\$ 217,601	\$ 217,840	0.3
Operating Expense	79,541	106,857	94,239	94,455	1.2
Equipment	420	-0-	17,556	-0-	4079.9
Inflation	<u>-0-</u>	<u>-0-</u>	<u>8,672</u>	<u>13,732</u>	<u>--</u>
Total Operating Costs	\$ 305,729	\$ 315,069	\$ 338,068	\$ 326,027	6.9
Non-Operating Costs	<u>741,186</u>	<u>1,036,927</u>	<u>1,123,540</u>	<u>1,179,718</u>	<u>29.5</u>
Total Expenditures	<u>\$1,046,915</u>	<u>\$1,351,996</u>	<u>\$1,461,608</u>	<u>\$1,505,745</u>	<u>23.6</u>

Fund Source

General Fund	<u>\$1,046,915</u>	<u>\$1,351,996</u>	<u>\$1,461,608</u>	<u>\$1,505,745</u>	<u>23.6</u>
--------------	--------------------	--------------------	--------------------	--------------------	-------------

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Depreciation	\$32,856	-0-	\$32,856	-0-

Pre-release centers provide inmates a short, intensely supervised adjustment period in a community facility prior to parole or discharge from the prison. The Men's Pre-release Program was expanded during fiscal 1984 with the addition of centers in Butte and Great Falls. The state now has 99 beds available for male inmates in four pre-release centers--the Missoula Life Skills Center with 24 beds, the Alpha House in Billings with 25 beds, the Butte Pre-release Center with 25 beds, and the Great Falls Pre-release Center with 25 beds. Butte, Great Falls, and Alpha House each have five additional beds for federal boarders. The Missoula Life Skills Center is state owned and operated while the others are private non-profit corporations with state contracts.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	11.50	11.50	0.00
Personal Services	\$ 209,764	\$ 225,768	\$(16,004)
Operating Expenses	104,101	79,541	24,560
Equipment	-0-	420	(420)
Total Operating Costs	\$ 313,865	\$ 305,729	\$ 8,136
Contracts, Pre-release	<u>1,152,785</u>	<u>741,186</u>	<u>411,599</u>
Total Costs & General Fund	<u>\$1,466,650</u>	<u>\$1,046,915</u>	<u>\$419,735</u>

The personal services deficit was due primarily to \$4,814 in retroactive pay from a classification appeal by the program director and \$8,473 in termination pay when the director resigned. The balance of the deficit is the shortfall of what was appropriated to fully fund the pay plan. The overexpenditure in personal services was funded by savings generated within the Missoula center's supplies and materials budget.

The large surplus in pre-release contracts is a result of less than a full year's operations of the two new pre-release centers. The Butte pre-release began operations in late December 1983 and completed the fiscal year with total costs of \$264,687, or an unexpended balance of \$154,437. The Great Falls Pre-release Center was in operation only three months in fiscal 1984, resulting in an unexpended balance of \$253,402. The rest of the surplus is savings of \$3,760 from the contract with Alpha House.

Missoula Pre-release Center

Personal services have been included at current level while operating expenses have been increased \$14,698 overall. Adjustments include an additional \$687 for professional contracts to allow the center expanded psychological services and \$6,497 to increase the EMIT supplies which are used to test urine for illicit drugs. This increase will allow the center to test all inmates twice each month, plus additional tests of suspicious inmates, six times per month.

Other adjustments include \$1,095 to contract with an inmate to cook for the center and \$1,098 to establish a replacement schedule for linens and bedding. Building rent increased \$6,341, from \$25,875 in fiscal 1984 to \$32,216 in fiscal 1986. Repairs and maintenance were averaged over three years resulting in a decrease of \$485. Other minor adjustments amounted to less than 1 percent.

Recommended equipment includes \$13,978 for a van to replace 979 model currently in use and \$3,578 to replace the range and dishwasher and purchase a washer and dryer.

The Missoula Pre-release Center had an average daily population of 20.58 at cost of \$40.58 per day. The department anticipates an average daily population (ADP) of 25 for fiscal 1986 and 1987. The current level budget will cost \$37.42 per day at an ADP of 25.

Current Level Adjustments

Current level adjustments include the deletion of \$360,148 of one-time start-up costs for the Butte and Great Falls Pre-release Centers. Room and board contracts have been increased \$579,083 to a contract level of 25 residents in each pre-release center. Other increases included are line-items in addition to the contracts. Professional contracts have been increased \$2,894 for additional psychological services, supplies have been increased \$21,857 for the EMIT system and clothing and personal items for transient residents were increased \$1,200. Utilities have been line-itemed for all three contract pre-release centers at \$29,084.

The department contracts with the centers using a combination of a sliding fee scale and line-item expenditures. The line-item expenditures include utilities, psychological services contracts, clothing and personal items for transient inmates, and EMIT system supplies. The fee scale is based on the costs of operating the center, adjustments for variable cost, such as meals, and the loss of inmate revenue. The department will pay 100 percent of the daily cost until the population drops below 80 percent or 20 inmates. As the population drops

below 80 percent, the department decreases the percentage of the daily cost that it will pay. Table 5 shows the sliding fees based on the population and compares the sliding rate to the total daily cost per inmate. As the rate of occupancy declines, the cost per day increases for the state. However, the center's cost per inmate increases at a faster rate than the state increased payment. Therefore, it is beneficial for both the state and the pre-release center to maintain a high average daily population.

Table 5
Pre-release Center Sliding Cost Per Day Rate Payment Schedule

Number of Residents	Percent Occupancy	Percent State Pays	- - Fiscal 1986 - -		- - Fiscal 1987 - -	
			State Payment	Total Cost	State Payment	Total Cost
25	100	100	\$36.68	\$36.68	\$35.67	\$35.67
24	96	100	38.13	38.13	37.08	37.08
23	92	100	39.71	39.71	38.35	38.35
22	88	100	41.43	41.43	40.01	40.01
21	84	100	43.31	43.31	41.83	41.83
20	80	100	45.39	45.39	43.83	43.83
19	76	95	45.30	47.68	43.74	46.04
18	72	90	45.20	50.23	43.65	48.50
17	68	90	47.76	53.07	46.12	51.24
16	64	80	45.02	56.27	43.46	54.33
15	60	80	47.92	59.90	46.26	57.83

As mentioned earlier, the department also pays for specific line-items not included in the center's fixed costs. The line-items add a total of \$58,985 to the base. Table 6 shows the fiscal 1986 effect of adding the line-items to the sliding rate assuming an ADP of 25 for each center.

Table 6
Total Cost of Pre-release Centers at 25 Average Daily Population
Fiscal 1986

	<u>Butte Pre Release</u>	<u>Great Falls Pre Release</u>	<u>Alpha House</u>	<u>Total</u>
Total Care Days	9,125	9,125	9,125	27,375
Cost Per Day	<u>\$34.47</u>	<u>\$36.68</u>	<u>\$35.67</u>	<u>\$35.61</u>
Contract Cost	\$314,554	\$334,683	\$325,579	\$ 974,816
Add: Psychological	1,447	1,447	1,447	4,341
EMIT Supplies	7,920	7,920	7,920	23,760
Personal Items	600	600	600	1,800
Utilities	<u>12,000</u>	<u>12,000</u>	<u>5,084</u>	<u>29,084</u>
Total Cost	<u>\$336,521</u>	<u>\$356,650</u>	<u>\$340,630</u>	<u>\$1,033,801</u>
Total Cost Per Day	\$36.88	\$39.08	\$37.33	\$37.73

Issuc 1: Depreciation

The Corrections Division is requesting \$10,952 annually for each non-profit contract to fund depreciation in lieu of individual equipment requests. Currently the contracts do not provide for new equipment purchase or replacement with the exception of the Alpha House van and copier payments. Table 7 is the depreciation schedule developed by the division using equipment at the Butte Pre-release Center as the base for all three centers.

Table 7
Pre-release Centers Depreciation Schedule

<u>Equipment Type</u>	<u>Cost Basis</u>	<u>Depreciable Life</u>	<u>Annual Depreciation</u>
Autos & Trucks	\$13,945	3 Years	\$ 4,648
Education & Recreation	594	5 Years	118
Household	13,320	5 Years	2,664
Laundry	1,590	5 Years	318
Kitchen	10,016	5 Years	2,003
Office	2,675	5 Years	535
Law Enforcement	3,330	5 Years	666
Total Cost & Depreciation	<u>\$45,470</u>		<u>\$10,952</u>

Note: The division has used the straight line method of depreciation over three years for vehicles and five years for all other equipment with no salvage value.

The inclusion of \$10,952 of depreciation would add \$1.20 per day to the cost of pre-release centers assuming an average daily population of 25.

Current state fiscal policy does not recognize depreciation as an expense in the agency budgets. However, in this instance the request involves funding for private non-profit corporations who necessarily must make some provisions for replacing existing equipment.

Option a: Fund the \$10,952 as an addition to each pre-release center contract to provide for the ongoing replacement of equipment. This would add \$32,856 to the fiscal 1986 and 1987 base.

Option b: Appropriate funds to the department to allocate based on prioritized equipment requests from the centers. Any funds unallocated would then be reverted to the general fund.

Option c: Take no action.

CORRECTIONS - COMMUNITY BASED PROGRAMS

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	69.00	69.00	68.00	68.00	(1.4)
Personal Service	\$1,526,864	\$1,546,399	\$1,544,542	\$1,547,413	0.6
Operating Expense	506,681	570,643	536,843	537,539	0.2
Equipment	11,680	-0-	96,731	94,760	1,539.5
Inflation	-0-	-0-	32,366	55,728	--
Total Expenditures	<u>\$2,045,225</u>	<u>\$2,117,042</u>	<u>\$2,210,482</u>	<u>\$2,235,440</u>	<u>6.8</u>
<u>Fund Sources</u>					
General Fund	\$2,039,050	\$2,113,968	\$2,207,887	\$2,232,741	6.9
Federal Revenue	<u>6,175</u>	<u>3,074</u>	<u>2,595</u>	<u>2,699</u>	<u>(42.8)</u>
Total Funds	<u>\$2,045,225</u>	<u>\$2,117,042</u>	<u>\$2,210,482</u>	<u>\$2,235,440</u>	<u>6.8</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Probation and Parole Officers				
Option a:	\$164,912	-0-	\$114,509	-0-
Option b:	\$ 65,744	-0-	\$ 45,804	-0-

This portion of the Corrections Division includes parole and probation, and juvenile aftercare group homes. Parole and probation provides supervision for paroled inmates and individuals placed on probation by the courts, conducts pre-sentence investigations for the courts, and participates in pre-placement evaluations and screenings. The division maintains 28 juvenile aftercare beds in four group homes located in Helena, Missoula, Great Falls, and Billings.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Parole & Probation</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	60.00	60.00	0.00
Personal Services	\$1,337,532	\$1,347,512	\$(9,980)
Operating Expenses	247,853	240,047	7,806
Equipment	-0-	7,097	(7,097)
Total Parole & Probation	<u>\$1,585,385</u>	<u>\$1,594,656</u>	<u>\$(9,271)</u>

<u>Aftercare</u>			
FTE	9.00	9.00	0.00
Personal Services	\$ 207,968	\$ 179,352	\$28,616
Operating Expenses	273,112	258,781	14,331
Equipment	-0-	738	(738)
Total Aftercare	<u>\$ 481,080</u>	<u>\$ 438,871</u>	<u>\$42,209</u>

<u>Individual Living</u>			
Operating Expenses	<u>\$ 10,444</u>	<u>\$ 7,853</u>	<u>\$ 2,591</u>
Total Expenditures	<u>\$2,076,909</u>	<u>\$2,041,380</u>	<u>\$35,529</u>
<u>Funding</u>			
General Fund	\$2,073,928	\$2,039,050	\$34,878
Interest and Income	<u>2,981</u>	<u>2,330</u>	<u>651</u>
Total Funds	<u>\$2,076,909</u>	<u>\$2,041,380</u>	<u>\$35,529</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 3,845	\$(3,845)

Parole and Probation

The personal services deficit results from insufficient vacancy savings to fund the pay plan. Communications savings of \$6,436 and minor differences in other expenditures categories combined for a total operating savings of \$7,806. The parole and probation spent \$7,097 on equipment when none was authorized. Most of the expenditure was for communications equipment.

Aftercare

The personal services surplus resulted from a vacant administrative officer in the field services office. Turnover of contract house parents in the Helena group home resulted in operating savings within contract services of \$3,316, supplies of \$5,887, and resident allowances of \$1,613. Utilities were \$4,484 less

than anticipated while various other expenditures combined to offset \$969 of these savings. Household and educational equipment was purchased for \$738 when no equipment was budgeted. Aftercare received authority through the budget amendment process to spend Board of Crime Control grant funds of \$3,845.

Individual Living

Savings in individual living resulted from fewer than anticipated placements. These funds provide room and board and allowances for youth who are ready to leave group home care, are too old for foster care, and demonstrate the maturity to live independently.

Current Level Adjustments: Parole and Probation

Supplies have been increased \$5,776 for the EMIT testing system which will provide 1,920 tests per year. Communications have been increased \$2,513 based on quotes from the Department of Administration, Communications Division. Office rent has been increased \$12,363. The largest portion, \$10,310, was for new space for the Billings office after being vacated from the old space June 30. Parking rental for the Billings office's vehicles increased \$1,980 when the new office space was occupied. Rental costs for copiers was increased \$1,479 to annualize copier rental in three regional offices.

Equipment requested includes 31 cars and 6 vans. This analysis includes nine cars in fiscal 1986 and ten cars in fiscal 1987 to replace those vehicles which will exceed 100,000 miles. Other equipment included in fiscal 1986 are three portable typewriters, five transcribers with seven recorders, and four conference microphones. In fiscal 1987, four secretarial desks are funded.

Current Level Adjustments: Aftercare and Independent Living

A vacant administrative officer position has been deleted for savings of \$28,478 in fiscal 1986 and \$28,494 in fiscal 1987. Supplies and materials have been increased \$7,413 to allow for an 80 percent occupancy rate in the group homes. The agency request is based on a 93 percent occupancy even though the group homes experienced an actual rate of 75 percent in fiscal 1984.

Individual living has been included at current level.

Issue 1: Five Additional Parole and Probation Officers

The division was authorized two additional parole and probation officers for the 1985 biennium. The division is now requesting five additional parole and probation officers. These requests have been based upon standards of

supervision developed by the division through a grant from the National Institute of Corrections.

The study divides the caseload into three categories according to their requirements of supervision. Maximum supervision requires two face-to-face contacts per month, medium supervision requires one face-to-face contact per month, and minimum supervision requires face-to-face contact once every three months. Time studies were conducted to determine the amount of time required for each level of supervision. It requires approximately one-and-a-half times longer to supervise a maximum level case than a medium and three-and-a-half times longer than a minimum level case.

As shown in Table 8, the caseload has increased 1.5 percent in fiscal 1984 from fiscal 1982, but more significant is the change in the level of supervision required. The portion of the caseload requiring maximum supervision has increased to 52 percent of the total caseload while those requiring medium or minimum decreased.

Table 8
Average Parole and Probation Caseload by Level of Supervision

Supervision Level	-- Fiscal 1982 --		-- Fiscal 1983--		-- Fiscal 1984 --	
	Caseload	%	Caseload	%	Caseload	%
Maximum Supervision	1,150	45	1,109	45	1,349	52
Medium Supervision	792	31	764	31	700	27
Minimum Supervision	614	24	592	24	545	21
Total Caseload	<u>2,556</u>	<u>100</u>	<u>2,465</u>	<u>100</u>	<u>2,594</u>	<u>100</u>

Based on the time study, the change in the caseload, and the geographic distribution of parole and probation offices, the agency has requested five additional officers. Table 9 shows the current level parole and probation officers and the requested officers for fiscal 1986 and 1987.

Table 9
Current Level and Requested Parole and Probation Officers

Region	- - - - - Parole and Probation Officers - - - - -			
	<u>Fiscal 1984</u>	<u>Additional Requested</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Missoula	11	3	14	14
Helena	8	-0-	8	8
Great Falls	6	-0-	6	6
Billings	<u>11</u>	<u>2</u>	<u>13</u>	<u>13</u>
Total Officers	<u>36</u>	<u>5</u>	<u>41</u>	<u>41</u>

According to the department, current caseload demands are being met using juvenile aftercare officers when they are available or extending length between visits for minimum supervision cases. The division's request includes operating costs and equipment to support five new parole and probation officers. Table 10 outlines the division request at second level expenditures.

Table 10
Request for Five New Parole and Probation Officers
1987 Biennium

<u>Budget Item</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Total Biennium</u>
FTE	5.0	5.0	5.0
Personal Services	\$ 99,800	\$107,390	\$207,190
Contracted Services	684	718	1,402
Supplies and Materials	2,333	2,158	4,491
Communications	2,700	1,200	3,900
Travel	2,328	1,943	4,271
Repair and Maintenance	<u>1,100</u>	<u>1,100</u>	<u>2,200</u>
Total Operating	\$108,945	\$114,509	\$223,454
Equipment	<u>55,413</u>	<u>-0-</u>	<u>55,413</u>
Total Cost	<u>\$164,358</u>	<u>\$114,509</u>	<u>\$278,867</u>
Cost Per Officer	<u>\$ 32,872</u>	<u>\$ 22,902</u>	<u>\$ 55,773</u>

Note: The amounts shown do not include inflation.

Option a: Fund the division's request for five additional probation and parole officers at the costs listed in Table 10. If this option is selected, the legislature may consider language to decrease officers based on the department's standards of supervision if the caseload/workload drops below the authorized level.

Option b: Fund two additional parole and probation officers at a general fund cost of \$65,744 in fiscal 1986 and \$45,804 in fiscal 1987.

Option c: Do not fund additional parole and probation officers.

WOMEN'S CORRECTIONAL PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	23.45	23.45	20.90	20.90	(10.8)
Personal Service	\$408,791	\$453,572	\$428,897	\$430,699	(0.3)
Operating Expense	138,829	297,060	200,856	200,899	(7.8)
Equipment	3,714	1,575	-0-	718	(86.4)
Inflation	-0-	-0-	16,095	26,777	--
Total Expenditures	<u>\$551,334</u>	<u>\$752,207</u>	<u>\$645,848</u>	<u>\$659,093</u>	<u>0.1</u>
<u>Fund Sources</u>					
General Fund	<u>\$551,334</u>	<u>\$752,207</u>	<u>\$645,848</u>	<u>\$659,093</u>	<u>0.1</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Population Base	\$85,991	-0-	\$73,134	-0-

The Women's Correctional Program consists of three components. The Women's Correctional Facility at the Warm Springs Campus of Montana State Hospital is a minimum to medium security facility for Montana's women offenders requiring incarceration. The Billings Life Skills Pre-release Center located in Billings is a state operated pre-release center with a capacity for 12 women inmates. The third component of the women's program is the housing of women in out-of-state prisons because of their security classification or in in-state housing pending placement.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	23.45	23.45	0.00
Personal Services	\$453,171	\$408,791	\$ 44,380
Operating Expenses	281,209	138,829	142,380
Equipment	<u>4,395</u>	<u>3,714</u>	<u>681</u>
Total Costs & General Fund	<u>\$738,775</u>	<u>\$551,334</u>	<u>\$187,441</u>

The Women's Correctional Program was appropriated for an average daily population of 44 as depicted in Table 11. The actual average daily population was 24. Table 11 depicts the actual and projected average daily population of inmates (ADP) and the cost per day (CID) at each of the units.

Table 11
Average Cost Per Inmate Day for Women's Correctional Programs

<u>Fiscal Year</u>	<u>Out-of-State Jails</u>		<u>Billings Life Skills Center</u>		<u>Women's Facility at Warm Springs</u>		<u>Total</u>
	<u>ADP</u>	<u>CID</u>	<u>ADP</u>	<u>CID</u>	<u>ADP</u>	<u>CID</u>	<u>ADP</u>
ACTUAL 1982	9.00	\$36.61	10.19	\$46.37	11.17	\$120.50	30.96
FISCAL 1983							
Appropriated	2.00	\$58.54	10.00	\$45.72	30.00	\$54.80	42.00
Actual	1.25	\$46.25	8.02	\$65.24	20.02	\$55.11	29.29
FISCAL 1984							
Appropriated	2.00	\$47.00	12.00	\$49.76	30.00	\$42.05	44.00
Actual	0.25	\$38.37	6.72	\$69.32	16.97	\$60.37	23.94
82-84 PERCENT CHANGE	(97)	5	(34)	49	52	10*	(23)

*Percent change in fiscal 1983-1984 to reflect normal costs, not start-up costs.

The population over the three fiscal years has declined from 31 to 24 inmates. The cost per inmate day is increasing. The high cost per day at the women's facility in fiscal 1982 is due to less than a full year of operation and costs associated with starting a new program.

The personal services savings of \$44,380 was realized by leaving a correctional officer 1 position vacant the entire year and a another part-time position vacant more than half the year at the Women's Correctional Center. The

Billings Life Skills Center left one life skills attendant position open the entire year as well. These positions were not utilized due to the low populations.

The operating savings were also due to the decreases in population. There was just one inmate placed out-of-state during the first quarter of fiscal 1984 resulting in a savings of \$58,199 in board and room costs. A savings of \$43,221 in supplies of the two in-state facilities is proportional to the actual populations relative to budgeted population. A \$22,236 savings in allowances and separation allowances was due to fewer inmates. The remaining expenditure categories of communications, travel, rent, and utilities combine for savings of approximately \$20,000.

Current Level Adjustments

The current level is based on an average daily population of 20 at the Women's Correctional Facility and 8 at the Billings Life Skills Center. Since fiscal 1983, actual ADP's were 20 and 8, respectively. Fiscal 1983 expenditures have been adjusted for inflation and used as the base for the 1987 biennium.

Personal services were decreased by 1.55 FTE at the Women's Correctional Facility and 1 FTE at the Billings Life Skills Center. The 1983 legislature authorized 2.35 additional correctional officers at the Women's Correctional facility based on seven posts and a relief factor of 1.55. This analysis is based on returning to six posts with a relief factor of 1.55 or a total of 9.3 correctional officers.

Contract services at the Women's Correctional Facility were increased \$10,380 over current level to provide alcohol and drug counselors, psychological services, parenting classes, office skills classes, and the facilities share of the Montana Defender Project. Supplies were increased \$9,518 to adjust for the increase from actual average daily population of 24 in fiscal 1984 to 28 as included in the current level budget.

Communications were increased \$1,148 based on quotes from the Department of Administration for local service costs on new phone systems installed at both facilities. Allowances for inmates were increased by \$1,723 to accommodate an increased population of four. The balance of the adjustments amount to less than 1 percent.

Operating costs were increased for up to two out-of-state placements with an additional \$31,891 for board and room and \$3,684 in travel.

Issue 1: Population Base

The department request was based on an average daily population (ADP) of

30 at the Women's Correctional Facility and 12 at the Billings Life Skills Center. The respective capacities are 30 and 12. As shown in Table 11, the women's correctional population has actually declined. Neither facility has reached capacity with the highest monthly ADP of the last 24 months reaching 10.50 at Billings and 23.53 at Warm Springs, both during September 1983.

The LFA current level is based on ADP's of 20 for the Women's Correctional Facility and 8 for the Billings Life Skills Center, which are the actual population served during fiscal 1983.

Option a: Fund women's corrections at the Legislative Fiscal Analyst current level based on an average daily population of 20 and 8 for the Women's Correctional Facility and Billings Life Skills Center, respectively, and line-item funding for up to 2 out-of-state placements costing \$46,381 in fiscal 1986 and \$49,359 in fiscal 1987.

Option b: Fund women's corrections at the department's requested level for 30 ADP at the women's correctional facility and 12 ADP at the Billings Life Skills Center. The additional cost based on the department request is \$85,991 in fiscal 1986 and \$73,134 in fiscal 1987. The out-of-state placements are the same for both options.

Option c: Provide funding for the department requested ADP levels with reversion language should the average daily populations not materialize.

CORRECTIONS - MEDICAL

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	1.00	0.00	1.00	1.00	100.0
Personal Service	\$ 52,269	\$ -0-	\$ 70,789	\$ 70,805	170.8
Operating Expense	530,529	743,163	525,027	525,027	(17.5)
Inflation	-0-	-0-	45,572	74,101	100.0
Total Expenditures	<u>\$582,798</u>	<u>\$743,163</u>	<u>\$641,388</u>	<u>\$669,933</u>	<u>(1.1)</u>
<u>Fund Sources</u>					
General Fund	<u>\$582,798</u>	<u>\$743,163</u>	<u>\$641,388</u>	<u>\$669,933</u>	<u>(1.1)</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
<u>ISSUE: Cost (Savings)</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. Additional Pine Hills & Mountain View	\$46,762	-0-	\$49,520	-0-	

The 1983 legislature authorized the consolidation of medical costs for the Prison, Swan River, Pre-release Centers, the Women's Correctional Program, the Aftercare Program, and parole violators being held for revocation hearings. The intent was to pool appropriations within the Corrections Division to provide flexibility among the programs and avoid unforeseen burdens on any one program budget due to medical costs.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	0.00	1.00	(1.00)
Personal Services	\$ -0-	\$ 52,269	\$(52,239)
Operating Expenses	<u>701,096</u>	<u>530,529</u>	<u>170,567</u>
Total Costs & General Fund	<u>\$701,096</u> =====	<u>\$582,798</u> =====	<u>\$118,328</u> =====

The department hired a physician to practice at the Montana State Prison in November 1983 since the Deer Lodge Clinic would not renew its contract and the prison was unable to obtain regular services from doctors at Montana State Hospital or from the community. As no personal services funds were appropriated, the department overspent personal services. The personal services deficit was offset by the savings in operations.

Current Level Adjustments

Personal services have been increased \$18,520 for the full-time physician. Fiscal 1984 did not reflect a full year of the physician's employment. Professional contracts have been increased by \$3,500 to contract for a relief physician when the full-time doctor takes annual vacation and contract medical services were reduced \$9,006 for physical exams and sick call performed by physicians other than the full-time doctor.

Issue 1: Consolidation of Medical Costs

Pine Hills and Mountain View also provide medical costs for persons in a correctional institution. It may be beneficial to provide these two units the same flexibility on medical costs.

Option a: Include Pine Hills and Mountain View medical costs under the

corrections medical budget at a general fund transferred cost of \$46,762 in fiscal 1986 and \$49,520 in fiscal 1987.

MENTAL HEALTH AND RESIDENTIAL SERVICES DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	5.00	5.00	5.00	5.00	(0.0)
Personal Service	\$ 167,778	\$ 168,953	\$ 179,419	\$ 179,934	6.7
Operating Expense	54,444	77,612	64,673	64,673	(2.0)
Equipment	2,093	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	4,220	7,287	--
Total Operating Costs	\$ 224,315	\$ 246,565	\$ 248,312	\$ 251,894	6.2
Non-Operating Costs	5,069,020	5,232,403	5,109,932	5,314,675	1.1
Total Expenditures	<u>\$5,293,335</u>	<u>\$5,478,968</u>	<u>\$5,358,244</u>	<u>\$5,566,569</u>	<u>1.4</u>
<u>Fund Sources</u>					
General Fund	\$3,818,741	\$3,948,988	\$4,087,212	\$4,253,307	7.3
Federal Revenue	<u>1,474,594</u>	<u>1,529,980</u>	<u>1,271,032</u>	<u>1,313,262</u>	<u>(13.9)</u>
Total Funds	<u>\$5,293,335</u>	<u>\$5,478,968</u>	<u>\$5,358,244</u>	<u>\$5,566,569</u>	<u>1.4</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Reduced Federal Funding				
Option a:	-0-	\$328,848	-0-	\$342,001
Option b:	\$164,414	\$164,434	\$171,000	\$171,000
Option c:	\$328,848	-0-	\$342,001	-0-

The Mental Health and Residential Services Division provides administrative supervision and coordination for the institutional and community programs for the mentally ill, institutional programs for the developmentally disabled, and institutional programs for veterans and geriatrics with emotional problems.

Community-based services for the mentally ill are provided through contracts administered by the Mental Health Division with the five private, non-profit, regional community mental health centers (CMHC). The division contracts for inpatient, emergency, day treatment, transitional living, community living support, outpatient, and prevention services. Funding for these programs comes from the general fund, federal block grant, medicaid, participating counties' general funds, and private reimbursement.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.F.	5.00	5.00	0.00
Personal Services	\$ 168,917	\$ 167,778	\$ 1,139
Operating Expenses	78,526	54,308	24,218
Equipment	-0-	2,093	(2,093)
Total Operating Costs	\$ 247,443	\$ 224,179	\$ 23,264
Grants/Benefits	5,095,195	5,048,230	46,965
Total Expenditures	<u>\$5,342,638</u>	<u>\$5,272,409</u>	<u>\$ 70,229</u>
<u>Funding</u>			
General Fund	\$3,823,409	\$3,818,741	\$ 4,668
Block Grant	1,519,229	1,453,668	65,561
Total Funds	<u>\$5,342,638</u>	<u>\$5,272,409</u>	<u>\$ 70,229</u>
<u>Additions:</u>			
Budget Amendment--Jobs Bill	-0-	\$ 20,926	\$(20,926)

The division had one position turnover in fiscal 1984. The 1983 legislature authorized the consolidation of institutional training funds from the Center for the Aged, Eastmont, Boulder River School and Hospital, the Veterans Home, and Montana State Hospital within the Mental Health Division. However, of the \$20,000 authorized, only \$8,310 was expended as a result of a slow start-up of the new program. In addition, the division was authorized a total of \$14,491 for professional contracts and consultant travel to complete annual program and fiscal audits of the mental health centers. As a result of the audits requiring less time and manpower, as well as not being billed for work completed, the division only spent \$7,971 on the audits.

Due to reallocating rent within the Central Office, the division had a savings of \$8,013 in fiscal 1984. The division did not utilize \$3,938 of the travel budget, but overspent repairs and maintenance and other expenses by \$1,778 and \$1,498, respectively.

The division was not budgeted for equipment in fiscal 1984. There is \$2,000 accrued for the division's share of a proposed central office personal computer.

The division received federal jobs bill funds after the legislature adjourned and received authority to spend the funds by budget amendment. The division

spent \$20,923 of the \$76,876 awarded.

Current Level Adjustments--Operations

Contracted services have been increased \$11,063 to bring the education and training budget back in line with the anticipated level. As mentioned above, the division did not get the training program implemented early enough in fiscal 1984 to utilize the available funding. Professional contracts were increased \$2,421 to allow the division to contract for clinicians to conduct program reviews of the community mental health centers. The division contracts with two clinicians for each regional program audit. It usually requires the clinicians three days on-site to complete their part of the audit. Other minor adjustments were made amounting to less than 1 percent.

Current Level Adjustments--Mental Health Centers

Federal block grant funds available for the 1987 biennium have been distributed to obtain an equal number of services each year of the 1987 biennium.

Table 12
Funding For Mental Health Centers and Administration

<u>Funding Source</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
General Fund	\$3,775,684	\$3,901,071	\$4,054,200	\$ 4,216,713
Block Grant	<u>1,272,546</u>	<u>1,331,332</u>	<u>1,055,732</u>	<u>1,097,962</u>
Sub Total	\$5,048,230	\$5,232,403	\$5,109,932	\$ 5,314,675
Medicaid	\$1,428,201	\$1,553,442	\$1,615,695	\$ 1,680,256
Fees and Other	2,201,271	2,389,226	2,484,795	2,584,187
County	<u>522,245</u>	<u>653,981</u>	<u>680,140</u>	<u>707,345</u>
Total Budget	<u><u>\$9,199,947</u></u>	<u><u>\$9,829,052</u></u>	<u><u>\$9,890,652</u></u>	<u><u>\$10,286,463</u></u>
Change		<u>7%</u>	<u>1%</u>	<u>4%</u>

Table 12 presents the fiscal 1984 actual CMHC funding and the appropriated and anticipated fiscal 1985 funding from all sources, and funding projected for the 1987 biennium. The mental health centers operate under a purchase-of-services system. All funding sources, with the exception of counties, purchase services at the service rates. The 1987 biennium general fund level is based on

fiscal 1985 contracted levels of service with the rate per service inflated 4 percent from fiscal 1985 to fiscal 1986 and 4 percent from fiscal 1986 to fiscal 1987. If inflation is 4 percent a year, there will be approximately a 3 percent service reduction between the 1985 and the 1987 biennium.

Issue 1: Reduced Federal Funding

As discussed in the section on the ADMS block grant, due to new legislation from Congress, there will be no increase in block grant funds and the state has been using carryover federal funds, (see Table 1, page 11) to maintain the program level. Block grant funds fall short of funding the current level services by \$328,828 in fiscal 1986 and \$341,989 in fiscal 1987. Table 13 below compares the current level block grant services with available funds.

Table 13
ADMS Block Grant Funded
Community Based Mental Health Service Contracts

	Fiscal 1985	% Change	Fiscal 1986	% Change	Fiscal 1987
Current Level Services	\$1,331,332	4.0	\$1,384,580	4.0	\$1,439,963
Available Block Grant	<u>1,331,332</u>	(20.7)	<u>1,055,732</u>	4.0	<u>1,097,962</u>
Reduction in Services	-0- =====		\$ 328,848 =====		\$ 342,001 =====

As shown below, the legislature has provided authority in 52-21-204, MCA, for counties to levy up to one mill in addition to contributions made from the county's general funds.

Prior to June 10 of each year, the board of mental health shall submit to the board of county commissioners of each of the counties within the constituted mental health region an annual budget, specifying each county's recommended proportionate share. If the board of county commissioners includes in the county budget the county's proportionate share of the regional board's budget, it shall be designated as a participating county. Funds for each participating counties proportionate share for the operation of mental health services within the region shall be derived from the county's general fund. If the general fund is insufficient to meet the approved budget, a levy not to exceed 1 mill may be made on the taxable valuation of the county in addition to all other taxes allowed by law.

The law is clear that the additional mill is available if county general funds

are insufficient to meet the mental health needs of the region as determined by the Regional Mental Health Board.

Section 53-12-203,(3),(a) and (c), MCA, provides that the Regional Mental Health Board has the dual responsibilities of evaluating the mental health needs of the region and sharing in the financial support of these identified needs. These sections state:

(3) the duties of an organized regional mental health corporation board include:

(a) annual review and evaluation of mental health needs and services within the region;

(c) establishment of a recommended proportionate level of financial participation of each of the counties within the region in the provision of mental health services within the limits of this section; (Emphasis added.)

Option a: Increase county funds to maintain the CMHC service levels. It is estimated that a one mill levy statewide would equal \$2,350,000 in fiscal 1986 and \$2,390,000 in fiscal 1987. Fiscal 1986 and 1987 projections of community mental health contributions from county general funds are \$680,140 and \$707,345 respectively. If all counties levied .43 mill in fiscal 1986 and .44 mill in fiscal 1987, in place of general fund contributions, the shortfall would be funded and current level services maintained.

Option b: Divide the decrease in federal funds between the state general fund and the counties. A 50/50 split would cost \$164,414 general fund in fiscal 1986 and \$171,000 in fiscal 1987.

Option c: Increase general fund to maintain the current level of services. This would cost \$328,828 in fiscal 1986 and \$342,001 in fiscal 1987.

Option d: Do not replace the decreasing federal funds. To insure that service reductions are not for those most in need of the service, the legislature may include language that all funds contracted through the division be targeted to serve the severely mentally ill.

BOULDER RIVER SCHOOL AND HOSPITAL

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	359.65	\$20,925,832	\$21,073,527
LFA Current Level	<u>446.15</u>	<u>22,413,108</u>	<u>22,524,392</u>
Executive Over (Under) LFA	<u>(86.50)</u>	<u>\$(1,487,276)</u>	<u>\$(1,450,865)</u>

The executive budget is \$1,450,865 below the LFA current level. The difference in total funding is due primarily to the deletion of 80.5 FTE and operating expenses associated with the HB 909 recommendations. In addition, current level includes five additional direct care positions based on an anticipated population of 204 residents. The executive used a vacancy savings factor of 6 percent compared to 4 percent used in current level.

Issue 1: HB 909 Recommendation

The executive includes the deletion of 80.50 FTE and operating expenses totaling \$670,374 in fiscal 1987 as the proposed initial stages of the HB 909 recommendations are implemented. Current level does not include HB 909 associated changes.

Issue 2: Direct Care Positions

The LFA current level analysis includes five additional direct care positions costing \$86,050 in fiscal 1986 and \$86,192 in fiscal 1987 to maintain the direct care ratio as established by previous legislatures. The executive budget does not include additional direct care staff.

Issue 3: Occupational Therapist

The executive deleted an occupational therapist maintained in the current level at a cost of \$53,396.

Issue 4: Vacancy Savings Factors

The executive has applied a 6 percent vacancy savings factor while the current level analysis applied 4 percent. This is a cost difference of approximately \$400,000 over the 1987 biennium.

Issue 5: Supplies and Materials

The executive budget exceeds the current level by \$48,490 primarily due to the loss of USDA commodities and inventory depletion included in food costs.

Issue 6: Equipment

The executive budget has \$32,130 less equipment than the current level for the 1987 biennium.

ROULDER RIVER SCHOOL AND HOSPITAL

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	441.40	441.40	446.40	446.15	1.1
Personal Service	\$ 8,705,134	\$ 9,117,716	\$ 9,414,481	\$ 9,441,496	5.7
Operating Expense	1,645,089	1,728,210	1,639,855	1,620,583	(3.3)
Equipment	47,059	11,991	26,740	15,864	(27.8)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>133,922</u>	<u>231,451</u>	<u>--</u>
Total Operating Costs	\$10,397,282	\$10,857,917	\$11,214,998	\$11,309,394	5.9
Non-Operating Costs	<u>39,061</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>--</u>
Total Expenditures	<u>\$10,436,343</u>	<u>\$10,857,917</u>	<u>\$11,214,998</u>	<u>\$11,309,394</u>	<u>5.7</u>
<u>Fund Sources</u>					
General Fund	\$10,376,227	\$10,828,345	\$11,155,385	\$11,257,723	5.6
State Special	7,548	12,400	7,844	7,844	(21.3)
Federal Revenue	<u>52,568</u>	<u>17,172</u>	<u>51,769</u>	<u>43,827</u>	<u>37.0</u>
Total Funds	<u>\$10,436,343</u>	<u>\$10,857,917</u>	<u>\$11,214,998</u>	<u>\$11,309,394</u>	<u>5.7</u>

Boulder River School and Hospital provides services to mentally retarded children and adults. Boulder served an average daily population of 219 residents in fiscal 1982, 221 in fiscal 1983, and 202 in fiscal 1984. A total of 25 residents were placed out of Boulder in fiscal 1984. However, readmissions of some residents previously placed is causing the average daily population to increase to a current level of 204. The average daily population is expected to stabilize at 204 through the the 1987 biennium.

The FTE level has been increased to maintain a direct care ratio of one-to-one as established by previous legislatures. Two physician positions which have been vacant for two years have been deleted. These services were provided through contract services in fiscal 1984 and have been continued at current level. The fiscal 1986 current level includes two ECIA Chapter I teacher aide positions while fiscal 1987 includes 1.75 FTE.

Boulder River School and Hospital is funded primarily with general fund, which increases 5.6 over the 1985 biennium. Canteen expenditures and funding are less in the 1987 biennium. Federal school lunch funds decline as the institution's school age population decreases from 22 at the beginning of the 1987 biennium to 13 by the end of fiscal 1987. ECIA Chapter I funds are included for the teacher aide positions mentioned above.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	447.85	441.4	6.45
Personal Service	\$ 9,113,693	\$ 8,672,916	\$440,777
Operating Expenses	1,657,412	1,645,089	12,323
Equipment	40,044	46,759	(6,715)
Total Operating Costs	\$10,811,149	\$10,364,764	\$446,385
Non-Operating Costs	-0-	39,061	(39,061)
Total Expenditures	<u>\$10,811,149</u>	<u>\$10,403,825</u>	<u>\$407,324</u>
<u>Funding</u>			
General Fund	\$10,778,899	\$10,376,227	\$402,672
State Special, Canteen	12,200	7,548	4,652
Federal Revenue, School Lunch	20,050	20,050	-0-
Total Funds	<u>\$10,811,149</u>	<u>\$10,403,825</u>	<u>\$407,324</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 32,516	\$(32,516)

The 6.45 FTE difference shown in the table represents positions authorized to remain at Boulder until the transfer of 25 residents was complete. The institution was not funded for the positions and did not use them in fiscal 1984. Boulder spent \$440,777 less in personal services than anticipated. Among vacant positions were two physicians and a physical therapist.

Boulder spent all but \$12,323 of the anticipated operating budget. However, contract services were overspent by \$62,577 and repair and maintenance by \$9,027. These overexpenditures were offset by savings in all other expense categories. The institution spent \$39,061 in capital outlay for roof repair in fiscal 1984. This was an unbudgeted expenditure.

Equipment purchases exceeded the budget by \$7,015. Included is a \$10,000 accrual for the purchase of a personal computer/word processor as part of the Department of Institutions overall purchase plan. This is discussed under the Management Services Division budget.

The institution received authority by budget amendment to add two teacher aide positions funded by ECIA Chapter I funds. Of the \$33,574 added, \$32,516 was spent.

The institution budget has been separated into four programs; administration, support, direct care, and treatment. Each program will be discussed in the narrative that follows.

ADMINISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	21.90	21.90	21.90	21.90	(2.2)
Personal Service	\$437,907	\$491,936	\$487,122	\$488,208	4.8
Operating Expense	114,397	129,145	111,569	91,569	(16.5)
Equipment	-0-	11,991	-0-	-0-	(100.0)
Inflation	-0-	-0-	13,117	20,150	--
Total Expenditures	<u>\$552,299</u>	<u>\$633,072</u>	<u>\$611,808</u>	<u>\$599,927</u>	<u>2.2</u>
<u>Fund Sources</u>					
General Fund	<u>\$552,299</u>	<u>\$633,072</u>	<u>\$611,808</u>	<u>\$599,927</u>	<u>2.2</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Donations	-0-	\$25,000	-0-	\$12,000

This program consists of the superintendents office, fiscal and accounting, personnel, word processing, mail, and telephone switchboard functions. The program has 21.9 FTE to carry out the administrative functions of the institution.

Current Level Adjustments

Operating costs decrease \$2,823 overall. The legal services contract of \$7,156 was deleted due to the transfer of this function to the Governor's Board of Visitors. Insurance and bond costs of \$90 were deleted as these costs are included in the Support Program. Audit fees charged by the Legislative Auditor of \$20,000 are included in fiscal 1986. These fees are \$4,423 more than in fiscal 1984.

Issue 1: Donations

Boulder River School and Hospital is requesting authority to spend donated funds for the benefit of the residents. This request is the result of an audit recommendation by the Legislative Auditor, pursuant to the Attorney General's Opinion 36. Funds donated to an institution to be spent at its discretion for the

benefit of the residents, are considered state monies and should be appropriated.

Option a: Grant the authority to spend donated funds. The requested amount is \$25,000 in fiscal 1986 and \$12,000 in fiscal 1987.

SUPPORT

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	122.50	124.00	124.00	124.00	0.6
Personal Service	\$2,465,074	\$2,521,072	\$2,587,353	\$2,595,218	3.9
Operating Expense	1,144,565	1,279,716	1,159,512	1,160,493	(4.3)
Equipment	24,076	-0-	26,740	15,864	76.9
Inflation	-0-	-0-	90,768	161,389	--
Total Expenditures	<u>\$3,633,715</u>	<u>\$3,800,788</u>	<u>\$3,864,373</u>	<u>\$3,932,964</u>	<u>4.9</u>
<u>Fund Sources</u>					
General Fund	\$3,606,117	\$3,771,216	\$3,842,252	\$3,914,235	5.1
State Special	7,548	12,400	7,844	7,844	(21.3)
Federal Revenue	<u>20,050</u>	<u>17,172</u>	<u>14,277</u>	<u>10,885</u>	<u>(32.4)</u>
Total Funds	<u>\$3,633,715</u>	<u>\$3,800,788</u>	<u>\$3,864,373</u>	<u>\$3,932,964</u>	<u>4.9</u>

The Support Program contains food service, laundry, housekeeping, maintenance, warehouse, the crafts, staff development, transportation, and barber functions. The canteen is also part of the Support Program.

Funding for the Support Program includes general fund, canteen state special revenue funds, and federal school lunch funds. The school lunch funds decrease as the school age population decreases from 22 at the beginning of the biennium to 13 projected by the end of fiscal 1987.

Current Level Adjustments

Operating expenses have been increased \$14,947 over the fiscal 1984 level. Insurance fees charged by the Department of Administration increased from \$28,884 to \$35,172 in fiscal 1986 and to \$36,153 in fiscal 1987 or \$6,288 and \$7,269 respectively. Contracts were increased \$1,463 for participation in the Jefferson County Weed Control Project which is estimated to cost \$1,643.

Food costs have been increased \$10,134 to provide 314,921 resident and staff meals based on an estimated average daily population of 204 residents. This increase also allows 2.6 cents per meal for the loss of certain USDA commodities

and inventory depletion. Gasoline has been decreased \$1,240 at the agency's request which they based on their projections of actual usage during the 1987 biennium. Canteen purchases increase \$302 over the fiscal 1984 level.

Table 1 details the equipment included in the budget. The total cost is \$26,740 in fiscal 1986 and \$15,864 in fiscal 1987. The inclusion of these items is intended to become a part of a regular replacement schedule.

Table 1
Boulder River School and Hospital Equipment in Current Level
1987 Biennium

<u>Item</u>	<u>QTY</u>	<u>Fiscal 1986</u>	<u>QTY</u>	<u>Fiscal 1987</u>
Couches	8	\$ 7,120	4	\$ 3,738
Living Room Chairs	4	2,040	4	2,142
Rocking chairs	6	1,440	5	1,248
Mattresses	20	2,600	20	2,704
Heavy Duty Washers	4	2,200	2	1,144
Heavy Duty Dryers	4	8,000	2	2,080
Commercial Washer (20 lb.)	1	2,700	1	2,808
Love Seat	1	640		
Total Cost		<u>\$26,740</u>		<u>\$15,864</u>

DIRECT CARE

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal <u>1984</u>	Fiscal <u>1985</u>	Fiscal <u>1986</u>	Fiscal <u>1987</u>	1985-87 <u>Biennium</u>
F.T.E	225.00	225.00	230.00	230.00	2.2
Personal Service	\$4,349,276	\$4,382,765	\$4,692,575	\$4,711,573	7.6
Operating Expense	109,419	107,209	99,613	99,613	(8.0)
Equipment	17,332	-0-	-0-	-0-	--
Inflation	<u>-0-</u>	<u>-0-</u>	<u>8,334</u>	<u>13,575</u>	<u>--</u>
Total Operating Costs	\$4,476,027	\$4,489,974	\$4,800,522	\$4,824,761	7.3
Non-Operating Costs	<u>39,061</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	<u>\$4,515,088</u>	<u>\$4,489,974</u>	<u>\$4,800,522</u>	<u>\$4,824,761</u>	<u>6.9</u>
<u>Fund Sources</u>					
General Fund	<u>\$4,515,088</u>	<u>\$4,489,974</u>	<u>\$4,800,522</u>	<u>\$4,824,761</u>	<u>6.9</u>

This program contains the direct care staff and supervisors. Direct care staff is made up of registered nurses (RN), licensed practical nurses (LPN), habilitation aides, and cottage supervisors. Previous legislatures have established a direct care ratio of one staff for every patient or 1 to 1. The ratio includes three shifts per day and required relief factors. The institution was authorized staff for a population of 200 residents for the 1985 biennium. The authorized staffing of 200 included 7 RN's, 18 LPN's, 166 aides, and 9 cottage supervisors.

The institution experienced an average daily population of 202 in fiscal 1984. During the first months of fiscal 1985, the average daily population has increased to 203 and is expected to reach 204 and remain constant through the 1987 biennium.

Current Level Adjustments

A total of 5 FTE have been added to maintain a direct care ratio of 1 to 1 based on an average daily population of 204 residents. Table 2 shows the direct care staffing for a population of 204.

Table 2
Boulder River School and Hospital Direct Care Staff For 204 Residents

<u>Positions</u>	<u>FTE</u>
Registered Nurses	7
Licensed Practical Nurses	18
Habilitation Aides	169
Cottage Supervisors	<u>10</u>
Total Direct Care Staff	<u><u>204</u></u>

The positions added include four habilitation aide II's and one LPN II. This maintains the ratio of staff as established by 1983 legislature as closely as possible without adding unrealistic portions of FTE. These positions add \$86,050 in fiscal 1986 and \$86,192 in fiscal 1987.

Operating expenses have been reduced a total of \$9,806. Professional contracts have been reduced \$11,786 for this program as all professional contracts are included in the Treatment Program. Contracted education and training has been increased \$1,980 to \$4,860 to reflect a full year of costs associated with a patient placed at the Helen Keller National Center.

TREATMENT

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal <u>1984</u>	Fiscal <u>1985</u>	Fiscal <u>1986</u>	Fiscal <u>1987</u>	1985-87 <u>Biennium</u>
F.T.E	71.00	70.50	70.50	70.25	(0.5)
Personal Service	\$1,452,877	\$1,721,943	\$1,647,431	\$1,646,497	3.7
Operating Expense	276,713	212,140	269,161	268,908	10.0
Equipment	5,651	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	21,703	35,881	--
Total Expenditures	<u>\$1,735,241</u>	<u>\$1,934,083</u>	<u>\$1,938,295</u>	<u>\$1,951,286</u>	<u>6.0</u>
<u>Fund Sources</u>					
General Fund	\$1,702,723	\$1,934,083	\$1,900,803	\$1,918,344	5.0
Federal Revenue	<u>32,518</u>	<u>-0-</u>	<u>37,492</u>	<u>32,942</u>	<u>116.6</u>
Total Funds	<u>\$1,735,241</u>	<u>\$1,934,083</u>	<u>\$1,938,295</u>	<u>\$1,951,286</u>	<u>6.0</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Education	\$ (73,350)	-0-	\$ (37,689)	-0-

The Treatment Program contains the staff and operating costs of the various treatment services offered at Boulder. Included are: psychology, social services, pharmacy, laboratory, dental, radiology, physical and occupational therapy, speech pathology, recreation therapy and education.

Most of these services are provided by Boulder staff, however, medical, optometric, and dental services are contracts with private providers. The institution has been unable to fill its two physician positions and has therefore, contracted for those services.

Current Level Adjustments

Two physician positions have been deleted due to the inability of the institution to fill these positions. These services were provided for through a contract with a private physician in fiscal 1984. This contract is included in the current level analysis. ECIA Chapter I teacher aide positions have been added at 2.00 FTE for fiscal 1986 and 1.75 FTE in fiscal 1987.

Operating costs decreased \$7,552 from fiscal 1984 to fiscal 1986. Professional contracts have been decreased \$10,275 with the deletion of the physical therapy contract. This contract is deleted since the program is authorized seven physical therapy FTE. The physical therapist position was vacant 10 months of fiscal

1984, but has been retained in the budget in lieu of the contract. The optometry contract has been increased \$400 to reflect a full year of services. General contract services are increased \$294 to provide a full summer's use of the City of Boulder swimming pool for the residents. Gasoline has been reduced \$363 based on the institutions estimates of usage. Indirect costs associated with the Chapter I positions have been included at \$2,392 in fiscal 1986 and \$2,139 in fiscal 1987.

Issue 1: Education at Boulder River School and Hospital

The school age population, all those under the age of 22, has steadily declined over the last several years. Boulder served 32 school age in fiscal 1982, 31 in fiscal 1983, the population declined to 25 by the end of fiscal 1984 and is expected to be 14 by the end of fiscal 1987. The 1983 legislature deleted three teachers, four teacher aides, and a half-time occupational therapist. Table 3 shows the current staffing of teacher and teacher aides.

Table 3
Boulder River School and Hospital Teacher and Teacher Aide Positions

<u>Positions</u>	<u>FY 86</u>	<u>FY 87</u>
Teachers	10.00	10.00
Teacher Aides*	<u>6.60</u>	<u>6.35</u>
Total	<u>16.60</u>	<u>16.35</u>

*Includes 2.00 ECIA Chapter I positions in fiscal 1986 and 1.75 in fiscal 1987.

The school age population declines 28 percent from the end of fiscal 1984 to the end of fiscal 1986 and 44 percent to the end of fiscal 1987. In addition to the school age residents, Boulder also provides education and training to adult residents in compliance with Section 53-20-142(5), MCA, which states:

Residents shall have a right to receive suitable education and habilitation services regardless of chronological age, degree of retardation, or accompanying disabilities or handicaps.

Previous legislatures have funded positions for adult training at Eastmont, but not at Boulder, even though Boulder has previously requested funding for resident education and training. The institution has provided services to as

many residents as possible using the existing staff. The agency has not requested any changes in staffing even though the school age population is declining.

Option a: Maintain the current level of teacher and teacher aide positions, thereby, expanding education and training services to the adult population.

Option b: Delete teacher and teacher aide positions in proportion to the decrease in school age residents--28 percent in fiscal 1986 and 44 percent in fiscal 1987. This option would reduce general fund by \$73,350 in fiscal 1986 and \$37,684 in fiscal 1987. This is a reduction of 2.8 teachers and 1.3 teacher aides in fiscal 1986 and an additional 1.6 teacher and .5 teacher aide in fiscal 1987.

CENTER FOR THE AGED

-----1987 Biennium-----

	FTE FY '87	General Fund	Total Funds
Executive Budget	103.43	\$5,145,319	\$5,159,961
LFA Current Level	100.24	5,110,714	5,125,035
Executive Over (Under) LFA	<u>3.19</u>	<u>\$ 34,605</u>	<u>\$ 34,926</u>

The executive budget is \$34,926 over the LFA current level. The difference in total funding is due primarily to the addition of .5 FTE by the executive in contrast to the deletion of 2.69 FTE in LFA current level. The executive budget is under the LFA current level equipment. Donated funds of \$832 have been included by the executive. The following issues reflect the major differences between the executive budget and current level.

Issue 1: FTE Additions and Deletions

The executive added a .5 rehabilitation aide at a cost of \$17,177 while the LFA deleted 1.89 FTE psychiatric aide, a .5 RN and a .3 LPN to adjust the direct care ratio for an average daily population of 180 residents at a savings of \$99,558.

Issue 2: Operating Inflation

The current level analysis includes inflation at a higher level than the executive constituting the major differences in operating costs, of approximately \$48,500.

Issue 3: Equipment

The executive budget is \$19,931 under the LFA current level analysis for equipment.

MONTANA CENTER FOR THE AGED

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	102.93	102.93	100.24	100.24	(2.6)
Personal Service	\$1,889,249	\$1,952,557	\$1,952,450	\$1,958,986	1.8
Operating Expense	519,118	579,395	539,049	526,398	(3.0)
Equipment	17,168	2,809	24,718	2,938	38.4
Inflation	-0-	-0-	45,636	74,860	--
Total Expenditures	<u>\$2,425,535</u>	<u>\$2,534,761</u>	<u>\$2,561,853</u>	<u>\$2,563,182</u>	<u>3.3</u>
<u>Fund Sources</u>					
General Fund	\$2,415,501	\$2,523,258	\$2,554,867	\$2,555,847	3.4
State Special Funds	6,510	11,503	6,986	7,335	(20.4)
Other Funds Approp.	<u>3,524</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$2,425,535</u>	<u>\$2,534,761</u>	<u>\$2,561,853</u>	<u>\$2,563,182</u>	<u>3.3</u>

Issue: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Average Daily Population Base	\$65,283	-0-	\$66,247	-0-
2. Laundry	-0-	-0-	-0-	-0-
3. Increase Custodial Staff	\$15,633	-0-	\$15,639	-0-
4. Authority to Spend Donated Funds	-0-	\$400	-0-	\$400

The Center for the Aged is a 199-bed residential facility for long-term care and treatment of persons in need of continued psychiatric care who are 55 years or older and transferred from Montana State Hospital or referred from Montana mental health centers.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. Approximately \$43,000 of the center's \$59,702 personal services savings was generated by turnover of psychiatric aides. It was anticipated that the center would spend \$11,566 in differential pay, but only \$3,086 was spent.

The center spent less on contract services, supplies, and utilities but more on repairs than anticipated.

The overexpenditure in equipment is due to a \$10,000 accrual made by the center at the request of the Department of Institution's Central Office. (See data

processing issue under Central Office, Management Services Division).

The center purchased a big screen television and miscellaneous supplies using \$3,524 of donations.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	102.93	102.93	0.00
Personal Services	\$1,948,951	\$1,889,249	\$59,702
Operating Expenses	562,135	518,219	43,916
Equipment	5,554	14,543	(8,989)
Total Expenditures	<u>\$2,516,640</u>	<u>\$2,422,011</u>	<u>\$94,629</u>
<u>Funding</u>			
General Fund	\$2,505,395	\$2,415,501	\$89,894
Canteen Funds	11,245	6,510	4,735
Total Funds	<u>\$2,516,640</u>	<u>\$2,422,011</u>	<u>\$94,629</u>
<u>Additions:</u>			
Unbudgeted - Donations	-0-	\$ 3,524	\$(3,524)

Current Level Adjustments

The Center for the Aged was budgeted for an average daily population of 190 for the 1985 biennium. However, the fiscal 1984 average daily population was 178. Current level is based on an average daily population of 180.

The direct care staff has been reduced 2.69 FTE to maintain a staff to resident ratio of 1 to 3.6. This ratio is based on the approved direct care staff and budgeted population from the 1983 legislature. Staff reduced are: .5 registered nurse, .3 licensed practical nurse, and 1.89 psychiatric aides.

The center's personal services was increased \$13,000 to adjust for upgrades of nine custodial workers and the accounting and fiscal manager reclassifications as approved by the Personnel Office through the appeal process.

Overall, operating expenses increased \$20,178. Professional contracts have been increased \$4,800 to provide a psychiatrist four hours per week at \$50 per hour. The laundry contract increased from 27 cents per pound in fiscal 1984 to 32 cents per pound in fiscal 1985. The laundry cost has been increased \$3,932 to cover the rate increase and adjust to the anticipated average daily population of 180. Audit fees of \$10,000 have been included in fiscal 1986 for the center's biennial audit by the Legislative Auditor.

Increases in supplies of \$9,693 resulted from loss of certain surplus commodities and increases in the cost of Attends disposable briefs. Supply

increases have been offset by a decrease in repairs and maintenance. Current level has been reduced \$11,266 based on three-year average expenditures. Other adjustments combined for a net increase of less than 1 percent.

The center is general funded with the exception of its canteen operation which is self-supporting. Current level includes \$6,986 in fiscal 1986 and \$7,335 in fiscal 1987 to operate the canteen.

Issue 1: Average Daily Population (ADP)

The center's 1985 biennium budget was based on the assumption the center would serve an average daily population of 190 residents. Table 1 below shows the ADP of the center for fiscal years 1982 through 1984 and the first quarter of fiscal 1985

Table 1
Averaged Daily Population for Montana Center for the Aged

	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>1st Quarter 1985</u>
Average Daily Population	186	181	178	177

As Table 1 indicates, the population is declining. The center has based its 1987 biennium budget request on an ADP of 190. The current level base uses an ADP of 180. The resulting cost difference is \$65,283 in fiscal 1986 and \$66,247 in fiscal 1987. Table 2 indicates where the cost difference occurs.

Table 2
Cost Comparison of Average Daily Population at 180 Versus 190

<u>Expenditure Category</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Personal Services	\$49,711	\$49,847
Food	9,473	9,946
Laundry, Contracted*	3,337	3,552
Drugs	<u>2,762</u>	<u>2,902</u>
Total	\$65,283 =====	\$66,247 =====

*Laundry costs assume all laundry is done by an outside contractor.

The 1983 legislature authorized 52.69 direct care staff, (RN's, LPN's and Psych aides) to serve 190 ADP, or a staff to client ratio of 1 to 3.6. Using the same staff to client ratio, the center should only require a direct care staff of 50 for a 180 ADP. The center experienced psychiatric aide vacancies equivalent to 3.2 FTE during fiscal 1984.

Option a: Fund the Montana Center for the Aged for an average daily population of 190. This option would cost \$65,283 in fiscal 1986 and \$66,247 in fiscal 1987.

Option b: Fund the Montana Center for the Aged at the current population of 180 average daily population.

Issue 2: Laundry

Currently, the center sends all of its linen and bedding and approximately one-half of the residents' personal clothing out to a private laundry at a cost of 32 cents per pound. The remainder of the laundry, approximately 84,800 pounds, is done by two laundry workers at the center. The state Department of Health and Environmental Sciences has cited the center consistently for not providing separation of clean and soiled linen and for not having the required ten air exchanges per hour in the laundry area.

The center has requested an environmental control system in the Long Range Building Program budget. This system is to replace and upgrade the overall facility system and provide the laundry facility ten air exchanges per hour which are environmentally separate from the rest of the facility. The air controls alone will not meet health department standards. The center will also have to separate the clean and soiled linen areas or obtain a waiver from the health department. The center may be risking licensure and medicaid reimbursement in excess of \$1 million annually, should the department of health demand compliance and this agency does not comply. The health department did require compliance at the Eastmont Human Services Center in Glendive.

Option a: Require the department to explain how the center plans to meet health department laundry standards and not jeopardize its licensure.

Option b: Request the health department discuss the laundry compliance issue with the committee and explain who establishes the laundry rules with which the center does not comply and the rationale for the rules.

Issue 3: Increase Custodial Staff

The center is requesting one additional grade 7 custodial worker to provide

relief coverage for vacation, sick leave, and holiday time in the housekeeping and laundry departments. Based on the housekeeping schedule set by management to keep the facility clean, it requires approximately 24,542 hours per year to clean the facility and handle the laundry. The current staffing, after vacations, sick leave, and holidays, amounts to 22,453 hours. The difference is 2,039 hours or one full-time equivalent.

The 1981 legislature authorized four additional custodial workers as a result of a health department survey which cited housekeeping deficiencies. The center has not been cited for housekeeping deficiencies in recent health department surveys.

Option a: Fund one additional custodial worker at \$15,633 in fiscal 1986 and \$15,639 in fiscal 1987.

Option b: Maintain the current level of staffing.

Issue 4: Authority to Spend Donated Funds

The center is requesting authority to spend donated funds for the benefit of the residents. The funds would be used for various resident activities such as picnics, outings, Christmas presents, and items not provided through general fund appropriations. The center is making this request as a result of a legislative auditor recommendation on donations to be spent for the benefit of residents at the center's discretion. The State Auditor's Office considers donated moneys spent at the institution's discretion to be state moneys that should be accounted for in a special revenue fund.

The center spent \$3,521 in donated funds in fiscal 1984. They are requesting authority to spend \$400 each year of the biennium.

Option a: Grant the authority through a special revenue fund to spend \$400 annually on donations.

Option b: Take no action.

EASTMONT TRAINING CENTER

	-----1987 Biennium-----		
	FTE FY '87	General Fund	Total Funds
Executive Budget	106.32	\$4,307,269	\$4,313,509
LFA Current Level	<u>93.02</u>	<u>4,221,046</u>	<u>4,221,046</u>
Executive Over (Under) LFA	<u><u>13.3</u></u>	<u><u>\$ 86,223</u></u>	<u><u>\$ 92,463</u></u>

The executive budget is \$92,463 above the LFA current level. The difference in total funding is due primarily to an increase of 11.8 FTE associated with the HB 909 recommendations, one additional habilitation aide, and an additional .5 LPN position included in the executive budget. Other differences occur in the inflation rate used for operating expenses and the LFA current level includes \$6,586 more in equipment than the executive budget. The executive budget included donated funds of \$6,240.

Issue 1: HB 909 Recommendation

The executive includes \$115,063 in fiscal year 1987 to implement the initial phase of recommendations of the HB 909 study. This is not included in the current level analysis.

Issue 2: Additional Habilitation Aide and LPN Positions

The executive included an additional 1.00 FTE habilitation aide and .5 FTE LPN costing \$47,955 as modified services. The current level analysis does not include these additional positions.

Issue 3: Inflation Factors

The inflation factors utilized by the executive are under those used in the current level budget. The difference in rates accounts for approximately \$65,000 over the biennium.

Issue 4: Equipment

The executive budget is \$6,586 under the LFA current level analysis for equipment.

EASTMONT HUMAN SERVICES CENTER

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	95.02	94.02	93.02	93.02	(1.6)

Expenditures by Object

Personal Service	\$1,657,917	\$1,753,642	\$1,732,781	\$1,735,784	1.7
Operating Expense	281,956	304,015	327,406	320,308	10.5
Equipment	20,991	6,742	10,097	1,130	(59.5)
Inflation	-0-	-0-	37,740	55,800	--
Total Expenditures	<u>\$1,960,864</u>	<u>\$2,064,399</u>	<u>\$2,108,024</u>	<u>\$2,113,022</u>	<u>4.9</u>

Fund Sources

General Fund	\$1,934,656	\$2,059,415	\$2,108,024	\$2,113,022	5.7
Federal Revenue	24,336	4,984	-0-	-0-	-0-
Other Funds	<u>1,872</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Funds	<u>\$1,960,864</u>	<u>\$2,064,399</u>	<u>\$2,108,024</u>	<u>\$2,113,022</u>	<u>4.9</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Donations	-0-	\$3,000	-0-	\$3,000

Eastmont Human Services Center is a 55-bed intermediate care facility for mentally retarded adults and children. The center provides care, treatment, and education services to mentally retarded residents of the state under the authority of Title 53-20-204, MCA.

During the 1983 biennium, Eastmont operated a 40-bed, 7-day program and a 15-bed, 5-day program. The 1983 legislature authorized conversion of the 5-day program to a 7-day program with the transfer of 15 residents from Boulder River School and Hospital. Eastmont's direct care staff was increased by 5 FTE to adjust the staffing ratio to a 55-bed 7-day program.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	94.02	94.02	0.00
Personal Services	\$1,754,197	\$1,636,087	\$118,110
Operating Expenses	289,340	279,863	9,477
Equipment	<u>10,513</u>	<u>20,383</u>	<u>(9,870)</u>
Total Expenditures	<u>\$2,054,050</u>	<u>\$1,936,333</u>	<u>\$117,717</u>
<u>Funding</u>			
General Fund	\$2,049,066	\$1,934,656	\$114,410
Federal Revenue, School Food	<u>4,984</u>	<u>1,677</u>	<u>3,307</u>
Total Funds	<u>\$2,054,050</u>	<u>\$1,936,333</u>	<u>\$117,717</u>
<u>Additions:</u>			
Budget Amendments (1 FTE)	-0-	\$ 22,659	\$(22,659)
Donations	-0-	\$ 1,872	\$ (1,872)

Approximately 10 to 11 percent of the personal service budget was not utilized. One FTE behavior modification therapist was added through a budget amendment, funded by federal Title I funds.

In February 1984, Eastmont received notification from the department of health to correct laundry deficiencies by April 1, 1984 or lose certification. Eastmont subsequently contracted with a private firm to handle all of the laundry. The additional cost of the laundry contract in fiscal 1984 was \$8,904, resulting in an over expenditure in contract services. The center was able to offset the over expenditure in contracted services by spending less in supplies and rent.

Table 1 shows equipment authorized by the legislature and items actually purchased. Only one item, cottage furniture, that was budgeted for by the 1983 legislature was actually purchased in fiscal 1984. Eastmont has overexpended the amount anticipated for equipment by \$9,870 due to accruing \$10,000 for a computer/word processor. The funds have not actually been expended as the institution is waiting further direction on what to purchase from the central office.

Table 1
Comparison of Authorized and Actual Equipment Purchases
Fiscal 1984

<u>Fiscal 1984 Authorized</u>		<u>Fiscal 1984 Actual</u>	
Cottage Furniture	\$ 1,545	Cottage Furniture	\$ 1,980
Drapes	4,295	Freezers	1,695
Floor Buffer	618	Suspension Walker	350
Sneeze Guard	258	Cement Mixer	1,098
Table Saw	721	Snow Blade	1,400
Typewriter	2,060	Sound Equipment	315
Dishwasher	<u>1,016</u>	Coffee Pots	158
		Floor Tile	371
		Assessment Tool	54
		Chain Link Fence	2,962
		Computer/Word Processor*	<u>10,000</u>
Total Equipment	<u>\$10,513</u>		<u>\$20,383</u>

*Accrued.

Current Level Adjustments

As a result of the department of health notification of laundry deficiencies at Eastmont, the laundry contract will cost \$57,350 in fiscal 1986 in comparison to \$23,004 in fiscal 1984. However, since the laundry will be done by a private contractor, personal services have been decreased by one laundry worker and operating expenses reduced for laundry supplies which makes the net increased laundry cost \$17,690 in fiscal 1986.

Audit fees charged by the Office of the Legislative Auditor increased from \$4,323 in fiscal 1984 to \$10,900 in fiscal 1986. Insurance charges from the Department of Administration have increased 33 percent, from \$3,374 in fiscal 1984 to \$4,476 in fiscal 1986.

When the laundry contract charge, legislative audit costs, and Department of Administration insurance charges are removed from operating costs, the remaining operating costs change from \$251,255 to \$255,580 or by 1.7 percent. The changes are due to numerous items such as increases in professional service contracts for physical therapy and medical services to decreases in relocation and recruiting expenses since two difficult to recruit positions have been filled.

The current level request includes \$10,097 in fiscal 1986 and \$1,130 in fiscal 1987 for equipment. Equipment included in current level is two aquapedic

mattresses for non-ambulatory residents, laundry lockers, a lift-transfer system for non-ambulatory residents, a 30 quart mixer, and classroom furniture.

During fiscal 1985, Eastmont will have only one school age resident, which will result in the loss of both Title I and school food funds for the 1987 biennium.

Issue 1: Authority to Spend Donations

Eastmont is requesting authority to spend moneys donated for the benefit of the residents. The center would spend the funds received for resident activities, Christmas gifts, and items to enrich their environment. This request was prompted by a recommendation from the Office of the Legislative Auditor. The recommendation covers those moneys donated for the benefit of the residents at the center's discretion. The auditor's office considers donated moneys spent at the institution's discretion to be state moneys, thus requiring an appropriation. Donations made with specific instructions are not included.

Option a: Grant the authority to spend donated moneys.

Option b: Do not grant the authority to spend donated moneys.

MOUNTAIN VIEW SCHOOL

-----1987 Biennium-----

	FTE FY '87	General Fund	Total Funds
Executive Budget	64.49	\$3,203,939	\$3,319,988
LFA Current Level	<u>65.49</u>	<u>3,280,741</u>	<u>3,403,041</u>
Executive Over (Under) LFA	<u>(1.00)</u>	<u>\$ (76,802)</u>	<u>\$ (83,053)</u>

The executive budget is \$83,053 under the LFA current level. The difference in total funding is due primarily to the deletion of an accounting specialist position by the executive and the major difference in operating expense is due to inflation rates applied. The following issues reflect the differences between the executive budget and current level.

Issue 1: Deletion of Accounting Specialist

The executive deleted an accounting specialist position that remains in the current level analysis at a cost of \$46,106.

Issue 2: Inflation

The executive budget used inflation rates lower than those used in the current level analysis. This accounts for approximately \$4,735 of the difference between the executive budget and current level.

Issue 3: Equipment

The executive budget is \$1,853 under the current level equipment analysis.

Issue 4: Funding

The executive budget has \$7,549 less school lunch reimbursement than the LFA current level. The executive budget carries the fiscal 1984 amount forward to the 1987 biennium, while the current level analysis projects reimbursement based on anticipated average daily population and anticipated rates.

MOUNTAIN VIEW SCHOOL

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	64.05	64.05	65.49	65.49	2.2
Personal Service	\$1,274,535	\$1,345,407	\$1,421,307	\$1,425,531	8.6
Operating Expense	238,737	262,757	252,611	242,705	(1.2)
Equipment	20,920	1,015	3,526	2,903	(70.7)
Inflation	-0-	-0-	20,467	33,991	--
Total Expenditures	<u>\$1,534,192</u>	<u>\$1,609,179</u>	<u>\$1,697,911</u>	<u>\$1,705,130</u>	<u>8.2</u>
<u>Fund Sources</u>					
General Fund	\$1,423,512	\$1,579,923	\$1,636,836	\$1,643,905	9.2
Federal Revenue	<u>110,680</u>	<u>29,256</u>	<u>61,075</u>	<u>61,225</u>	<u>(12.6)</u>
Total Funds	<u>\$1,534,192</u>	<u>\$1,609,179</u>	<u>\$1,697,911</u>	<u>\$1,705,130</u>	<u>8.2</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Transfer Medical Service	\$ (18,810)	-0-	\$ (19,751)	-0-

Mountain View School is responsible for the care, education and rehabilitation of juvenile girls who are committed to the school by district courts. The school also contracts with the federal government to care for girls who are in federal custody.

The average daily population of the school was 39 in fiscal 1984 compared with 34 in fiscal 1982. The population is expected to remain constant during the 1987 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. Mountain View School experienced personal services savings of \$92,555 in fiscal 1984. The savings were generated from turnover, as no positions were vacant for more than half of the year.

Most of the operating savings of \$21,494 was due to contracted services where medical expenditures were \$5,098 less than anticipated and audit fees of \$9,200 budgeted for fiscal 1984 will not be expended until fiscal 1985. Caretaker and janitorial services budgeted at \$5,236 are now being performed by the girls

and paid out of allowances in the other expense category.

Equipment was overspent by \$8,197 as a result of a \$10,000 accrual for the department's personal computer/word processor purchase plan.

As a result of more federal and tribal boarders funds being available than anticipated for the school, in compliance with the boiler plate of the appropriations bill, an equal amount of general fund was reverted. Thus, the table shows more federal revenue being expended than originally appropriated. ECIA Chapter I and II expenditures were added by budget amendment in fiscal 1984.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	64.05	64.05	0.00
Personal Services	\$1,345,118	\$1,252,563	\$ 92,555
Operating Expenses	257,554	236,060	21,494
Equipment	<u>9,178</u>	<u>17,375</u>	<u>(8,197)</u>
Total Expenditures	<u>\$1,611,850</u>	<u>\$1,505,998</u>	<u>\$105,852</u>
<u>Funding</u>			
General Fund	\$1,582,923	\$1,423,512	\$159,411
Federal Revenue	<u>28,927</u>	<u>82,486</u>	<u>(53,559)</u>
Total Funds	<u>\$1,611,850</u>	<u>\$1,505,998</u>	<u>\$105,852</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 28,194	\$(28,194)

Current Level Adjustments

The ECIA Chapter 1 and II funds are expected to be available in the 1987 biennium. Therefore the 1.44 FTE and \$2,948 for educational supplies are included in current level.

Operating expenses have been increased by (1) \$1,375 for insurance coverage from the Department of Administration; (2) \$578 to wash both sheets for each resident weekly; and (3) \$1,650 to trim 11 of the 44 large trees on the school campus.

Equipment of \$3,526 in fiscal 1986 and \$2,903 in fiscal 1987 includes: two two-way radios, two washer and dryer sets, two vacuum cleaners, a closed circuit TV system to monitor girls who are placed in seclusion, a replacement refrigerator for the home economics class, a television set for one cottage, and a slide projector.

Funding

Federal and tribal boarders revenue has been decreased from a level of \$56,634 in fiscal 1984 to \$3,600 in fiscal 1986 and 1987. The two tribal boarders have been discharged and according to the superintendent, future tribal boarders are unlikely due to a shortage of tribal funds. The school anticipates one federal 45-day evaluation at \$80 per day in each year of the 1987 biennium.

School lunch funds have been increased to \$29,360 in fiscal 1986 and \$28,501 in fiscal 1987, to reflect an average daily population of 39. ECIA funds are included at \$28,115 in fiscal 1986 and \$28,124 in fiscal 1987. These funds add 1.44 teachers and school supplies.

Issue 1: Transfer Medical Services to Corrections Medical Program

The 1983 legislature authorized the consolidation of medical costs for the Prison, Swan River, Pre-release Centers, the Women's Correctional Program, the After Care Program, and parole violators being held for revocation hearings. The intent was to pool appropriations within the Corrections Division to provide flexibility among the programs and avoid unforeseen burdens on any one program budget due to medical costs.

The addition of Mountain View's medical service costs to the corrections medical program would allow the same flexibility for Mountain View and eliminates the possibility of unforeseen high medical costs from placing a burden on the school's budget. The school experienced savings of \$5,098 in medical service costs in fiscal 1984 which will be reverted. However, if the opposite occurred the school would have to reduce expenditures in other categories to offset high medical costs.

Option a: Transfer medical costs of \$18,810 in fiscal 1986 and \$19,751 in fiscal 1987 to the corrections medical budget.

Option b: Maintain the medical expense in the Mountain View budget.

PINE HILLS

-----1987 Biennium-----

	FTE FY '87	General Fund	Total Funds
Executive Budget	116.97	\$5,400,710	\$6,364,591
LFA Current Level	117.47	5,420,841	6,457,992
Executive Over (Under) LFA	====-.50	\$ (20,131)	\$ (93,401)

The executive budget is \$93,401 under the LFA current level. The differences in total funding are due primarily to the deletion of .5 FTE by the executive, higher inflationary rates of the LFA, and equipment. The following issues reflect the major differences between the executive budget and current level.

Issue 1: .50 Custodial Worker Position

The executive has deleted a .5 custodial worker position that was retained in the current level analysis costing \$14,939.

Issue 2: Inflation

The executive budget uses lower rates of inflation than the LFA current level analysis accounting for approximately \$89,000 difference between the executive budget and current level.

Issue 3: Equipment

The executive budget included \$6,061 more equipment than the current level analysis.

Issue 4: School Lunch Funding

The executive included \$22,817 less of school lunch reimbursement than the current level analysis. The LFA based the school lunch on reduced population, but an increase in the rates. The executive used the agency request which is a reduction from the fiscal 1984 level.

Issue 5: Federal Boarder Funding

The executive budget includes \$36,386 less in federal boarder reimbursement than the LFA current level analysis. The difference is due primarily to the LFA using current level population and rates which increase with inflation, compared with the executive projecting a decline from the fiscal 1984 level.

PINE HILLS SCHOOL

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	117.42	113.75	117.47	117.47	3.2
Personal Service	\$2,417,154	\$2,385,666	\$2,562,035	\$2,569,324	6.8
Operating Expense	583,938	662,711	593,779	581,250	(5.7)
Equipment	33,218	3,834	3,351	5,168	(77.0)
Inflation	-0-	-0-	54,589	88,496	--
Total Expenditures	<u>\$3,034,310</u>	<u>\$3,052,211</u>	<u>\$3,213,754</u>	<u>\$3,244,238</u>	<u>6.1</u>
Fund Sources					
General Fund	\$2,510,098	\$2,677,685	\$2,696,837	\$2,724,004	4.4
State Special	24,962	24,962	27,455	27,467	10.0
Federal Revenue	<u>499,250</u>	<u>349,564</u>	<u>489,462</u>	<u>492,767</u>	<u>15.7</u>
Total Funds	<u>\$3,034,310</u>	<u>\$3,052,211</u>	<u>\$3,213,754</u>	<u>\$3,244,238</u>	<u>6.1</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Transfer Medical Costs	\$(27,952)	-0-	\$(29,769)	-0-

Pine Hills School is responsible for the care and custody of juvenile boys aged 10 to 21, who have been sentenced to the institution by the courts. Title 53-30-202 establishes Pine Hills as a correctional facility to diagnose, care for, train, educate, and rehabilitate children in need of these services. Pine Hills has a capacity of 115 students in five cottages. In fiscal 1984, the average daily population was 88 students whose average length-of-stay was 6.5 months.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. Personal services savings of \$38,828 were generated from staff turnover or vacancies equivalent to 4.42 FTE. The school left a stock clerk position and a half-time custodial position vacant in fiscal 1984. A maintenance worker position was vacant for ten months. Savings in the operating budget were achieved in contracted services of \$4,796, supplies of \$28,951, utilities of \$27,597, and rent of \$6,262. Expenditures exceeded the budget in communications and repairs by \$2,832 and \$9,270 respectively. Savings in other categories amounted to less than 1 percent.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	113.75	113.75	0.00
Personal Services	\$2,385,497	\$2,346,669	\$38,828
Operating Expenses	630,514	573,303	57,211
Equipment	11,352	14,426	(3,074)
Total Expenditures	<u>\$3,027,363</u>	<u>\$2,934,398</u>	<u>\$92,965</u>
<u>Funding</u>			
General Fund	\$2,652,837	\$2,510,098	\$142,739
State Special	24,962	24,962	-0-
Federal Revenue	349,564	399,338	(49,774)
Total Funds	<u>\$3,027,363</u>	<u>\$2,934,398</u>	<u>\$ 92,965</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 99,912	\$(99,912)

The table above shows that more federal revenue was spent than authorized by the legislature. This is in compliance with Section 3 of HB 447 which requires the general fund appropriation to be reduced for the amount of money received from other sources in excess of the appropriation provided, unless the funds are significantly different from those for which the agency received their general fund appropriation. More federal boarder funds were received than anticipated.

Pine Hills School submitted budget amendments of \$105,748 which includes ECIA Chapter I and II funds, Title II vocational education funds, and a contract improvement grant from the U.S. Bureau of Prisons. The school spent \$99,912 of these funds during fiscal 1984.

Current Level Adjustments

Personal services were increased \$71,050 in fiscal 1986 and \$71,228 in fiscal 1987 to add 2.72 teacher aides and one social worker funded by ECIA Chapter I funds.

Operating expenses increased \$20,476 in fiscal 1986 and \$7,947 in fiscal 1987. Insurance fees charged by the Department of Administration have increased 230 percent since fiscal 1982 and 87 percent since fiscal 1984. Pine Hills paid \$6,322 in fiscal 1982, \$11,135 in fiscal 1984 and is requesting \$20,443 in fiscal 1986 and \$20,900 in fiscal 1987.

The legislative audit costs in fiscal 1984 were \$4,323 while \$13,000 is included in fiscal 1986 as requested by the auditor.

Supplies were increased \$1,286 in fiscal 1986 and \$1,305 in fiscal 1987 for educational supplies associated with ECIA Chapter I and II funding.

Utilities were increased \$1,200 for garbage removal. The fiscal 1984 contract for garbage removal cost \$214 per month; however, the fiscal 1985 contract was increased to \$314 per month. The removal service is providing more dumpsters and more frequent pickup.

The equipment budget includes a pallet truck in fiscal 1986 and a hot food cart in fiscal 1987. Also included for each year of the biennium are, a washer, a dryer, and dorm furniture manufactured by prison industries. The equipment totals \$3,351 in fiscal 1986 and \$5,168 in fiscal 1987.

Funding includes earmarked alcohol revenue to fund a substance abuse counselor costing \$27,455 in fiscal 1986 and \$27,467 in fiscal 1987. The school has land grant income estimated at \$275,000 each year of the biennium and school food of \$66,248 in fiscal 1986 and \$66,569 in 1987. Federal boarder revenue is estimated at the current level average daily boarder population of 2.38 with the daily rate inflated from \$74 in fiscal 1984 to \$77 per day in fiscal 1986 and \$80 per day in fiscal 1987. Total federal boarder revenue is \$66,890 and \$69,496 in fiscal 1986 and 1987 respectively. ECIA Chapter I and II is \$81,324 in fiscal 1986 and \$81,702 in fiscal 1987.

Issue 1: Transfer Medical Costs to the Corrections Medical Program

The 1983 legislature authorized the consolidation of medical costs for the Prison, Swan River Youth Camp, Pre-release Centers, and Women's Correctional Program, the After Care Program, and parole violators being held for revocation hearings. The intent was to pool appropriations within the Corrections Division to provide flexibility among the programs and avoid unforeseen burdens on any one program budget due to medical costs. Pine Hills school has averaged \$23,080 of medical service costs over the last three fiscal years. Although the school has not suffered any catastrophic or excessive medical costs, its inclusion in the Correction Medical Program would mitigate any sharp fluctuations in student's medical costs.

Option a: Transfer the schools medical service costs to the Corrections Medical Program. The current level amount with inflation is \$27,952 in fiscal 1986 and \$29,769 in fiscal 1987.

Option b: Maintain medical services costs in the Pine Hills budget.

MONTANA STATE PRISON

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	404.53	\$22,540,821	\$28,923,837
LFA Current Level	<u>401.70</u>	<u>22,294,716</u>	<u>29,051,896</u>
Executive Over (Under) LFA	<u><u>2.83</u></u>	<u><u>\$ 246,105</u></u>	<u><u>\$ (128,059)</u></u>

The executive is \$128,059 under the LFA current level. The differences in total funding are due primarily to vacancy savings, inflation, equipment, and the additional 2.83 FTE in the executive budget. In the executive budget, general fund is over the LFA current level analysis due to the executive using \$176,277 more general fund in the Industries Training Program and \$93,348 less federal boarder reimbursement. The following issues reflect the major differences between the executive budget and current level.

CARE AND CUSTODY

Issue 1: Physician Position

The executive included a physician position in the prison budget costing \$154,150 general fund during the 1987 biennium. The current level budget left this position in the Corrections Medical Program.

Issue 2: Vacancy Savings

The executive used a vacancy savings factor of less than 2 percent while the LFA current level uses 4 percent. The total difference over the biennium is \$308,122.

Issue 3: Equipment

The LFA current level analysis has \$139,709 more equipment than the executive. The LFA current level analysis includes the replacement of prison vehicles which have reached 100,000 miles and fire suppression equipment. The executive budget does not include these items.

Issue 4: Federal Boarder Reimbursement

The executive budget has \$93,348 less federal boarder reimbursement than current level. The LFA current level includes revenue for five federal boarders while the executive budget includes revenue for two federal boarders.

PRISON EXPANSION

Issue 5: Three Additional Positions

The executive includes three additional positions costing \$97,195 over the 1987 biennium. These positions include a special duty aide, a warehouse manager, and a canteen manager. The LFA current level analysis does not include these positions.

Issue 6: Inmate Allowances

The executive includes \$57,407 of inmate allowances that LFA current level does not include because there are sufficient allowances provided in the other prison programs.

Issue 7: Equipment

The executive does not include any equipment in the expansion request while the LFA current level includes \$246,360 of those items which are usually excluded in long-range building funds. The LFA current level does not include paint which should be part of long-range building.

RANCH AND DAIRY

Issue 8: Correctional Officer

The executive deletes a correctional officer position while the current level analysis retains the position. The total difference is \$36,511 that the executive is under the LFA current level.

Issue 9: Inflation

The major difference in operating costs results from the application of lower inflation rates by the executive than the LFA. The total difference in operating expenses is \$101,064

Issue 10: Equipment

The LFA current level reflects the agency equipment request which is \$202,500 over the executive budget.

LICENSE PLATE FACTORY

Issue 11: Industries Contract

The executive budget includes a business administration contract with the prison industries which costs \$40,000 for the biennium. The LFA current level does not include this contract as it was not authorized by the 1983 legislature and indirectly impacts the general fund.

Issue 12: Materials Purchased for the Manufacture of Plates

The executive budget includes \$109,492 for the purchase of additional aluminum used to manufacture license plates. The factory has sufficient aluminum inventory to complete the 1987 biennium unless new plates are issued. The LFA current level analysis did not add funds for biennium aluminum purchases.

PRISON INDUSTRIES

Issue 13: Loan Repayment

The executive budget includes \$5,000 in each year of the 1987 biennium for general fund loan repayment. The LFA current level does not include the loan repayment, as spending authority is not required for this purpose.

Issue 14: Inflation

The major difference between the executive budget and the LFA current level is the inflation rate applied to operating costs.

CANTEEN

Issue 15: Goods Purchased for Resale

The executive included authority to purchase \$147,152 more items for sale in the canteen than the LFA current level. The total executive increase over fiscal 1984 actual for these items is 29.3 percent in fiscal 1986 and 10.1 percent in fiscal 1987 with no projected increase in the prison population.

INDUSTRIES TRAINING

Issue 16: Additional Utilities

The executive has included \$25,963 in fiscal 1986 of additional utilities for the new vocational training building that is to be constructed at the prison. The LFA current level does not include the additional utilities in fiscal 1986, as the building will most likely not be completed until late in the fiscal year.

Issue 17: Equipment

The executive budget included \$12,140 of equipment in fiscal 1986 while the LFA current level includes the agency request of \$20,509 in fiscal 1986.

Issue 18: Funding

The executive budget includes \$323,440 of general fund for the biennium while the LFA current level budget maintains general fund at the fiscal 1984 actual level, plus inflation, or \$176,277 less than the executive.

MONTANA STATE PRISON

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	332.45	332.45	326.20	326.20	(1.8)
F.T.E. Prison Expansion	0.00	0.00	37.75	75.50	--
Personal Service	\$ 7,196,088	\$ 7,653,901	\$ 7,693,816	\$ 7,719,250	3.7
Operating Expense	3,891,965	4,633,046	4,123,945	4,107,364	(3.4)
Equipment	712,583	322,180	814,220	776,492	58.9
Inflation	<u>-0-</u>	<u>-0-</u>	<u>311,410</u>	<u>515,118</u>	<u>--</u>
Total Operating Costs	\$11,800,636	\$12,609,127	\$12,943,391	\$13,118,224	6.7
Non-Operating Costs	72,185	-0-	-0-	-0-	(100.0)
Prison Expansion	<u>-0-</u>	<u>-0-</u>	<u>1,166,581</u>	<u>1,823,700</u>	<u>--</u>
Total Expenditures	<u>\$11,872,821</u>	<u>\$12,609,127</u>	<u>\$14,109,972</u>	<u>\$14,941,924</u>	<u>18.7</u>
<u>Fund Sources</u>					
General Fund	\$ 9,029,994	\$ 9,396,378	\$ 9,605,246	\$ 9,699,189	4.7
General Fund, Prison Expansion	-0-	-0-	1,166,581	1,823,700	--
State Special	689,687	1,023,300	698,750	722,199	(17.0)
Federal Revenue	99,872	39,869	90,284	90,996	29.7
Proprietary Fund	<u>2,053,268</u>	<u>2,149,580</u>	<u>2,549,111</u>	<u>2,605,840</u>	<u>22.6</u>
Total Funds	<u>\$11,872,821</u>	<u>\$12,609,127</u>	<u>\$14,109,972</u>	<u>\$14,941,924</u>	<u>18.7</u>

The Montana State Prison provides low, high, and maximum security for Montana's male inmate population. In addition, the prison provides work, education, and training for inmates through the ranch and dairy operation, the Industries Program, and the Industries Training Program. The fiscal 1984 average daily population was 740, five less than fiscal 1983 and 195 more than the design capacity. The 1983 legislature authorized a major expansion of the prison to ease the overcrowding. A new high security unit and a new maximum security unit with a capacity of 96 each or 192 beds are under construction.

The 1987 biennium budget including the prison expansion increases 18.3 percent over the 1985 biennium. This growth is due to inflation, equipment and livestock purchases for the ranch and dairy, and the Industries Training Program being funded as fully operational. The prison has deleted 6.25 FTE from the Prison Industries and Industries Training Programs.

Staffing, operating, and equipment costs associated with the expansion are included in the table above and on the care and custody table. The new facilities are expected to be completed and ready for occupancy in January 1986. The

expansion is discussed under care and custody.

The prison budget has six programs: care and custody, the ranch and dairy, the license plate factory, the canteen, the industries program, and industries training.

CARE AND CUSTODY

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	300.45	300.45	300.45	300.45	0.00
F.T.E., Prison Expansion	0.00	0.00	37.75	75.50	0.00
Personal Service	\$6,599,360	\$6,842,666	\$ 7,006,207	\$ 7,030,167	4.4
Operating Expense	2,351,213	2,412,818	2,361,519	2,345,168	(1.2)
Equipment	216,902	102,180	100,861	62,642	(48.7)
Inflation	-0-	-0-	201,925	331,317	--
Total Operating Costs	\$9,167,475	\$9,357,664	\$ 9,670,512	9,769,294	4.9
Prison Expansion	-0-	-0-	1,166,581	1,823,700	--
Total Expenditures	<u>\$9,167,475</u>	<u>\$9,357,664</u>	<u>\$10,837,093</u>	<u>\$11,592,994</u>	<u>21.1</u>
<u>Fund Sources</u>					
General Fund	\$8,960,400	\$9,267,829	\$ 9,529,611	\$ 9,627,661	5.4
General Fund Prison Expansion	-0-	-0-	1,166,581	1,823,700	--
State Special	107,203	49,966	50,617	50,637	(35.5)
Federal Revenue	<u>99,872</u>	<u>39,869</u>	<u>90,284</u>	<u>90,996</u>	<u>98.0</u>
Total Funds	<u>\$9,167,475</u>	<u>\$9,357,664</u>	<u>\$10,837,093</u>	<u>\$11,592,994</u>	<u>21.1</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Additional FTE	\$32,391	-0-	\$64,804	-0-
2. Construction & One-Time Costs				
Option a:	-0-	-0-	-0-	-0-
Option b::	-0-	-0-	-0-	-0-

The Care and Custody Unit includes the housing, security, general operations, and administration of the prison. The prison operated with an authorized staffing of 300.45 FTE with an average daily population of 740 inmates in fiscal 1984. The average daily population was 698 in fiscal 1982 and 745 in fiscal 1983. The population is expected to remain stable through the 1987 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	300.45	300.45	0.00
Personal Services	\$6,867,383	\$6,599,360	\$268,023
Operating Expenses	2,308,335	2,284,258	24,077
Equipment	177,300	206,331	(29,031)
Total Expenditures	<u>\$9,353,018</u>	<u>\$9,089,949</u>	<u>\$263,069</u>
<u>Funding</u>			
General Fund	\$9,263,183	\$8,960,399	\$302,784
State Special	49,966	41,494	8,472
Federal Revenue	39,869	88,056	(48,187)
Total Funds	<u>\$9,353,018</u>	<u>\$9,089,949</u>	<u>\$263,069</u>
<u>Additions:</u>			
Budget Amendment - Federal	-0-	\$ 11,819	\$(11,819)
Budget Amendment - Insurance	-0-	\$ 65,707	\$(65,707)

The prison had personal services savings of \$268,023 as a result of staff turnover and less than full utilization of budgeted overtime, differential, and holiday pay.

Operating savings were generated by spending less than budgeted in contract services, rent, utilities, and repair and maintenance. Other expense increases in supplies, communications, and travel offset some of the savings. The remaining savings in operating expenses were offset by overexpenditures for equipment. Equipment expenditures include a \$10,000 accrual for a personal computer made at the request of the Central Office.

More federal revenue was available from federal boarder funds than anticipated. In compliance with the boiler plate of the appropriations bill, the prison reverted \$48,187 which was an equal amount of general fund.

The prison added \$81,025 of federal funds through the budget amendment process during fiscal 1984. Included were: \$12,159 of ECIA Chapter I funds to improve age/grade level attainment for certain inmates; \$65,707 of insurance proceeds to repair damage caused by the riot in maximum security and units close I and II; and \$3,159 of federal training assistance funds to train staff in dealing with the federal inmates housed at the prison. The prison spent \$77,526 of these funds. All of the insurance proceeds and federal training funds were spent,

while \$8,660 of ECIA Chapter I funds were spent.

Current Level Adjustments

Overtime, differential pay, and holidays worked are included at the agency requested level except the Security Program which is included at current level. The agency requests, except decreases, are based on fiscal 1984 actual expenditures with pay plan increases to fiscal 1985. The levels included are consistent with those of previous years. Table 1 shows the amounts included.

Table 1
Prison Overtime, Differential and Holidays Worked

	<u>FY 84</u>	<u>% Change</u>	<u>FY 86</u>	<u>% Change</u>	<u>FY 87</u>
Overtime	\$235,329	0.17	\$235,738	0.00	\$235,138
Differential Pay	5,790	2.40	5,929	0.00	5,929
Holidays Worked	<u>110,160</u>	<u>0.32</u>	<u>110,510</u>	<u>10.00</u>	<u>121,560</u>
Total	<u>\$351,279</u>	<u>0.26</u>	<u>\$352,177</u>	<u>2.97</u>	<u>\$362,627</u>

Note: Fiscal 1987 has 11 holidays, one more than fiscal 1986.

The benefit rate has increased from 17.95 percent to an average 21.04 percent due to an increase in workers' compensation rates. Although the rates differ by the position classifications, the average rate increased from 3.72 percent in fiscal 1984 to the current rate of 6.80 percent.

Contract services have been increased \$7,157 for audit fees charged by the Legislative Auditor and \$13,292 for insurance fees charged by the Department of Administration. The insurance fee includes \$8,293 for new fire protection coverage. Board and room for Montana inmates housed in federal penitentiaries is increased \$15,679 to pay for one additional inmate, bringing the total to four in fiscal 1986 and fiscal 1987.

Supplies and materials have been increased \$24,288 overall. Supplies were increased \$18,129 to purchase linens and bedding which were previously purchased by Montana State Hospital. The hospital budget has been decreased \$18,129. Also included are \$2,000 for boiler chemicals which are needed, but not included in the fiscal 1984 costs, and \$4,099 for supplies associated with the ECIA Chapter I and II grants.

Communications have been increased \$6,453 as a result of the state telephone system (STS) converting their charges from a flat rate to a metered rate.

An additional \$2,400 is included to increase inmate separation allowance from \$95 to \$100. Section 53-30-111, MCA, says paroled inmates may receive "gate money" in an amount up to \$100.

Equipment included consists of a 12-passenger van to replace a 1977 van with 114,028 miles on it; eight cars, four in each year of the biennium to replace high mileage vehicles (average of 131,968 miles) in the current fleet of 20 cars; four hot water tanks and two flash steam hot water heaters to replace units in close I and II; replacement washers and dryers for inmate personal clothing; a replacement perimeter vehicle; a battery maintenance system for recharging prison radio batteries; and fire suppression equipment. The total equipment is \$100,861 in fiscal 1986 and \$62,642 in fiscal 1987. Table 2 shows the equipment included.

Table 2
Montana State Prison Equipment

Item	- Fiscal 1986 -		- Fiscal 1987 -	
	Quantity	Amount	Quantity	Amount
12 Passenger Van	1	\$ 17,120		
Perimeter Vehicle	1	16,314		
Automobiles	4	43,964	4	\$47,040
Hot Water Tanks	2	4,544	2	4,862
Flash Steam Heaters	1	5,000	1	5,350
Commercial Washer & Dryer	1	2,519	2	5,390
Battery Maintenance System	1	1,400		
Fire Suppression Equipment:				
Fire Hose	250 ft	2,000		
Nozzles	2	1,000		
Snorkel	1	3,000		
Breathing Apparatus	2	2,000		
Helmets	4	400		
Protective Clothing	14 sets	1,600		
Total Equipment		<u>\$100,861</u>		<u>\$62,642</u>

Major Expansion of Prison Operations

The 1983 legislature appropriated \$14,416,400 to expand the prison facilities to ease overcrowding. The prison, as it exists, has a design capacity of 545 inmates. At the time of the 1983 legislature, the prison population was 698. The fiscal 1984 average daily population was 740 which required "double bunking" of inmates in units close I and II. The plan approved by the legislature authorized

construction funds to provide three levels of security housing for 737 inmates. Table 3 compares the original design capacity, the current operating capacity, and the expanded capacity.

Table 3
Montana State Prison Capacity by Security Level and Housing Unit

<u>Unit</u>	<u>Design Capacity</u>	<u>Operating Capacity</u>	<u>Expanded Capacity</u>
A Unit	96	96	96
B Unit	96	96	96
C Unit	<u>96</u>	<u>96</u>	<u>96</u>
Total Minimum Security	<u>288</u>	<u>288</u>	<u>288</u>
Close I	96	192	96
Close II	96	192	96
New Construction	<u>-0-</u>	<u>-0-</u>	<u>96</u>
Total High Security	<u>192</u>	<u>384</u>	<u>288</u>
Maximum Security	*35	*35	-0-
New Construction	<u>-0-</u>	<u>-0-</u>	<u>96</u>
Total Maximum Security	<u>35</u>	<u>35</u>	<u>96</u>
Reception	-0-	-0-	42
Dairy Dorm	<u>30</u>	<u>30</u>	<u>30</u>
TOTAL CAPACITY	<u>545</u>	<u>737</u>	<u>744</u>

*Note: Maximum security contains a total of 42 cells, however, 7 cells are maintained as detention cells for disruptive inmates. The 42 old maximum security cells will be used as reception cells for new inmates until they can be classified.

The expanded facilities are expected to be ready for occupancy by January of 1986. The prison is requesting staff, operating expenses, and equipment to begin operating the expanded prison for half fiscal 1986 and all of fiscal 1987. Table 4 shows the staffing plan reviewed by the 1983 legislature.

Table 4
Staffing Plan for New Prison Compound as Considered by the 1983 Legislature

<u>Program</u>	<u>Position</u>	<u>FTE</u>
Administration	Security Manager	1.00
Support Services	Maintenance Worker	2.00
Treatment Services	Social Worker	3.00
	Psychologist	1.00
	Teacher	1.00
	Librarian	.50
	Secretary	1.00
	Recreation Aide	3.00
	L.P.N.	4.80
Security	Lieutenant	1.60
	Sergeant	8.00
	Correctional Officers	48.60
Total Additional Staff		<u>75.50</u>

As shown in Table 5, it will cost \$1,166,581 in fiscal 1986 and \$1,823,700 in fiscal 1987 to provide staff and the associated operating expenses of the expanded prison.

Table 5
Cost of Operating the Prison Expansion
1987 Biennium

<u>Budget Item</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Biennium</u>
F.T.E.	37.75	75.50	75.50
Personal Services	\$ 823,033	\$1,650,710	\$2,473,743
Operating Expenses			
Contract Services	4,297	9,002	13,299
Supplies and Materials	29,759	40,066	69,825
Communications	6,642	14,113	20,755
Travel	438	876	1,314
Utilities	38,945	81,408	120,353
Repairs and Maintenance	14,617	25,461	40,078
Other Expense	2,490	2,064	4,554
Total Operating Expenses	\$ 97,188	\$ 172,990	\$ 270,178
Equipment	246,360	-0-	246,360
Total Costs	<u>\$1,166,581</u>	<u>\$1,823,700</u>	<u>\$2,990,281</u>

Issue 1: Additional Staffing

In addition to the 75.5 FTE included above, the prison is requesting a special duty aide, a warehouse manager, and a canteen manager costing \$32,391 in fiscal 1986 and \$64,804 in fiscal 1987. These positions were not considered under the expansion option submitted by the department and approved by the 1983 legislature.

The special duty aide is requested to fill a five-day post on unit close I. This position will work with a special program team established to deal with sex offenders, drug offenders, inmates with mental problems, and assaultive inmates. It is not clear if this special program has been presented to the legislature; however, the special duty aid is an additional position.

The warehouse manager request is based on the prison being divided into three separate compounds and requiring more preparation and setup of items to be delivered around the prison complex. This position was not included in the department's request submitted to the 1983 legislature.

The canteen manager is requested to operate the new canteen in the low security area. As part of the separate compound concept, a separate canteen is located in the low security area. However, an additional canteen manager was not included in the staffing submitted by the department.

Option a: Fund the additional positions requested at a general fund cost of \$32,391 in fiscal 1986 and \$64,804 in fiscal 1987.

Option b: Do not fund any additional positions.

Option c: Fund any one or combination of the positions requested. The table below shows the individual costs by fiscal year.

Table 6
Additional Positions Requested at Montana State Prison

<u>Position</u>	<u>- Fiscal 1986 -</u>		<u>- Fiscal 1987 -</u>	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
Special Duty Aide	.50	\$ 9,785	1.00	\$19,578
Warehouse Manager	.50	11,303	1.00	22,613
Canteen Manager	.50	11,303	1.00	22,613
Total	1.50	\$32,391	3.00	\$64,804
	====	=====	====	=====

Issue 2: Paint Costs

The prison has requested \$61,221 in fiscal 1986 to paint the new construction. Paint is normally provided as part of long-range building projects.

Option a: Fund the requested paint in the Long-Range Building Program.

Option b: Fund the request through contingency funds from the current Long-Range Building Appropriation.

RANCH AND DAIRY

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	18.00	18.00	16.75	16.75	(6.9)
Personal Service	\$ 418,891	\$ 470,923	\$ 435,854	\$ 437,132	(1.8)
Operating Expense	696,934	762,177	669,946	667,243	(8.4)
Equipment	435,917	220,000	692,850	713,850	114.4
Inflation	-0-	-0-	58,775	99,927	--
Total Operating Costs	\$1,551,742	\$1,453,100	\$1,857,425	\$1,918,152	25.6
Non-Operating Costs	72,185	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$1,623,927</u>	<u>\$1,453,100</u>	<u>\$1,857,425</u>	<u>\$1,918,152</u>	<u>22.7</u>
<u>Fund Sources</u>					
Proprietary Fund	<u>\$1,623,927</u>	<u>\$1,453,100</u>	<u>\$1,857,425</u>	<u>\$1,918,152</u>	<u>22.7</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Product Price Control	-0-	-0-	-0-	-0-
2. Appropriation Transfer	-0-	-0-	-0-	-0-

The prison ranch and Dairy provides beef, pork, and dairy products to state institutions while providing work and training for inmates. This program is designed to be self-supporting by selling meat and dairy products to other state institutions.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	18.00	18.00	0.00
Personal Services	\$ 472,743	\$ 411,572	\$ 61,171
Operating Expenses	714,546	678,729	35,817
Equipment	285,000	307,706	(22,706)
Total Costs and Funding	<u>\$1,472,289</u>	<u>\$1,398,007</u>	<u>\$ 74,282</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 225,922	\$(225,992)

Personal services savings were generated from two positions, a correctional officer and a teacher, which were vacant the entire year and other positions that were vacant four months or more. Operating savings occurred in contract services, travel, utilities, and repairs, while expenditures exceeded the budget in supplies, communications, rent, and other expenses. The overexpenditure of equipment is offset by the savings in operations.

The ranch submitted budget amendments to purchase slaughter cattle and provide operating authority to perform duties required under a USDA cheese contract. The ranch purchased 519 head of slaughter cattle costing \$192,613 and spent \$33,309 against the cheese contract of \$39,459. The ranch spent \$72,185 to install irrigation equipment on the ranch during fiscal 1984. This is recorded as a non-operating cost.

Current Level Adjustments

The prison ranch budget is included in current level as requested, except for inflation increases which were added.

Personal services were reduced by \$28,184 or 1.25 FTE who were transferred to prison industries and the Industries Training Program. The positions transferred are: .5 FTE accountant II, .5 FTE accounting technician II, and .25 FTE over the road truck driver who makes deliveries of prison ranch and industries products.

Operating expenses decreased \$8,783 from the fiscal 1984 base before inflation. These are from operating expense changes. The ranch has transferred the equipment maintenance shop to the Industries Training Program. Expenditures of \$28,068 associated with running the shop have been reduced from the ranch budget while other expense has been increased \$34,620 for allocated costs from the Industries Training Program. The amount required to purchase

feed on the open market has been reduced \$86,142 as a result of increased production at the ranch. Maintenance costs have been reduced \$1,013 for one-time expenditures. The contract to process USDA surplus cheese for distribution in Montana is expected to continue. Operating expenses of \$72,310 associated with the USDA cheese contract have been added. Other minor adjustments amount to a decrease of less than 1 percent.

Equipment for fiscal 1986 and 1987 is shown in the following table.

Table 7
Equipment Budget at Montana State Prison
Fiscal 1986 and 1987

<u>Item</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Farm Equipment	\$119,100	\$144,000
Ranch Truck	20,000	20,000
Shop Electric Hoist	4,500	600
Breeding Bulls	10,000	10,000
Horses	1,400	1,400
Slaughter Hogs	189,550	189,550
Slaughter Cattle	348,300	348,300
Total Equipment Budget	<u>\$692,850</u>	<u>\$713,850</u>

Funding

The ranch budget is presented as requested for two reasons. First, there is no state general fund or other direct taxes involved. Second, the ranch must generate its own revenue through product sales; and therefore, unless there is a demand for the product there will be no cash to spend. However, there are two concerns with the ranch appropriation authority level--product prices for the other institutions and transferring the appropriation authority to other programs.

Issue 1: Maintenance of Product Price

The ranch charges the institutions for meat at a price which is 90 percent of cost paid by the university system for their quarterly meat order and 95 percent of the retail price for milk as set by the Milk Control Board. This pricing is a savings to the institutions and reduces the general fund cost of operating the other institutions. With the prison ranch proprietary fund, the major concern is that the product price remain reasonable. If the price does, then the proprietary

operation achieves its purpose of providing the product more economically than other alternatives. Does the legislature want to have language directing that prices charged to the other institutions is equal to or lower than the above pricing policy?

Option a: Write language in the appropriation bill to require price maintenance or, if possible, price reduction.

Option b: Do not put any policy directive in law.

Issue 2: Appropriation Transfer

The ranch has a substantial budget increase as requested. The ranch can utilize this budget authority only if it generates revenue from the sale of products. In the 1985 biennium, there was authorization by the legislature to transfer up to 5 percent of one budget's authority to another program. Does the legislature want to restrict transferring the ranch spending authority to other budgets?

Option a: Insert language in the appropriation bill which restricts transferring the ranch spending authority to other prison programs.

Option b: Do not restrict the prison ranch transfers of appropriation authority to other programs.

LICENSE PLATE FACTORY

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	2.00	2.00	2.00	2.00	0.00
Personal Service	\$ 48,100	\$ 52,246	\$ 50,399	\$ 50,419	0.4
Operating Expense	245,597	470,649	257,834	267,076	(26.7)
Inflation	-0-	-0-	19,900	33,384	--
Total Expenditures	<u>\$293,697</u>	<u>\$522,895</u>	<u>\$328,133</u>	<u>\$350,879</u>	<u>(16.8)</u>
<u>Fund Sources</u>					
State Special	<u>\$293,697</u>	<u>\$522,895</u>	<u>\$328,133</u>	<u>\$350,879</u>	<u>(16.8)</u>

The License Plate Factory at Montana State Prison manufactures license plates for the state of Montana. This program is not one of the prison industries enterprises.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	2.00	2.00	0.00
Personal Services	\$ 52,323	\$ 48,100	\$ 4,223
Operating Expenses	<u>443,718</u>	<u>245,597</u>	<u>198,121</u>
Total Costs & State Special Revenue	<u>\$496,041</u>	<u>\$293,697</u>	<u>\$202,344</u>

Personal services savings resulted from one of the two positions being vacant part of the year.

Operating expenses were less than authorized as supplies used in the manufacturing of license plates were \$235,242 less than anticipated. The factory is using existing inventories rather than purchasing additional raw materials as a result of a recent legislative audit recommendation.

Contract service costs were \$15,180, or \$14,988 more than anticipated as a management fee was charged by prison industries for supervising the program in fiscal 1984. Previously, a Department of Justice employee located in Helena and the prison staff provided supervision. This new arrangement was not reviewed by the legislature. Utility costs were \$31,277 or \$18,467 more than anticipated due to metering the utilities rather than estimating the utility allocation.

Current Level Adjustments

Operating expenses were increased \$12,237 overall. Decreases in professional contracts amounted to \$15,047 eliminating business services from the industries program. The factory anticipates the manufacture of 392,904 large plates and 52,056 small plates in each year of the biennium compared with 336,238 and 24,317 respectively in fiscal 1984. Inmate allowances were increased \$7,013 due to the adoption of the industries inmate pay plan. Amounts of \$20,000 in fiscal 1986 and \$30,000 in fiscal 1987 were included to provide for major maintenance and overhaul of the manufacturing equipment. Other minor adjustments increased costs less than 1 percent.

Funding

This program is funded by the motor vehicle state special revenue account

through the Department of Justice. Excess funds in the motor vehicle account are used to replace general fund in the Department of Justice programs. The more funds spent in the license plate factory, the less there is to allocate to general fund operations in the Department of Justice.

PRISON INDUSTRIES

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	7.00	7.00	4.25	4.25	(39.2)
Personal Service	\$125,986	\$168,492	\$110,312	\$110,399	(25.4)
Operating Expense	243,936	314,426	276,171	273,000	(3.0)
Equipment	38,694	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	21,790	36,495	(2.0)
Total Expenditures	<u>\$408,616</u>	<u>\$482,918</u>	<u>\$408,273</u>	<u>\$419,894</u>	<u>(4.6)</u>
<u>Fund Sources</u>					
Proprietary Fund	<u>\$408,616</u>	<u>\$482,918</u>	<u>\$408,273</u>	<u>\$419,894</u>	<u>(4.6)</u>

The Prison Industries Program provides work opportunities for prison inmates to prevent inmate idleness, trains inmates in job skills and work habits, and provides products and services to public agencies. The industries program is designed to be self-supporting.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	7.00	7.00	0.00
Personal Services	\$168,802	\$125,986	\$ 42,816
Operating Expenses	280,891	243,936	36,955
Equipment	89,748	38,694	51,054
Total Expenditures	<u>\$539,441</u>	<u>\$408,616</u>	<u>\$130,825</u>
<u>Funding</u>			
General Fund	\$ 89,748	\$ 33,694	\$ 56,054
Proprietary Fund	449,693	374,922	74,771
Total Funds	<u>\$539,441</u>	<u>\$408,616</u>	<u>\$130,825</u>

Personal services savings are a result of two vacant industries technician positions and the turnover of an industries shop supervisor position. The industries program spent less than anticipated in operating and equipment. The \$89,748 budgeted for equipment was funded by a general fund loan to be repaid sometime in the future from program revenues. The unexpended balance of \$56,054 will be reverted to the general fund.

The industries program transferred the funds from the general fund, appropriated as a loan, to the industries proprietary account. This transfer enables the program to record expenditures properly within the proprietary account. The funding is separated here for comparison purposes.

Current Level Adjustments

Personal services have been decreased 2.75 FTE at the agency's request. The industries program transferred a .25 FTE accountant, a .25 FTE accounting technician, and a .25 FTE truck driver from the Prison Ranch. These positions performed duties for industries in the past, while paid out of the ranch budget. This transfer allocates the costs of the positions to the programs where their duties are performed. Industries reduced other staff by 3.5 FTE from the fiscal 1984 actual level. The industries production manager position is now split between the industries program and the Industries Training Program. Two industries shop supervisor positions and an industries technician position were deleted as unneeded positions.

Operating costs were increased a total of \$32,235. Materials used in production increased \$31,836 and \$1,384 has been included to pay commissions for marketing services; legislative audit fees of \$894 and payroll fees of \$123 have been included while travel was increased \$617 to pay the over-the-road trucker meals. Professional contracts offset by \$2,580 and other minor adjustments amounted to less than one percent.

PRISON CANTEEN

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	0.00	0.00	0.00	0.00	(0.0)
Operating Expense	\$288,787	\$450,439	\$318,402	\$318,084	(13.8)
Inflation	-0-	-0-	1,598	2,599	100.0
Total Expenditures	<u>\$288,787</u>	<u>\$450,439</u>	<u>\$320,000</u>	<u>\$320,683</u>	<u>(13.3)</u>
<u>Fund Sources</u>					
State Special	<u>\$288,787</u>	<u>\$450,439</u>	<u>\$320,000</u>	<u>\$320,683</u>	<u>(13.3)</u>

The Prison Canteen provides an institution store for the inmates to purchase personal and incidental items. The canteen is supported through funds generated from its operation.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
Contract Services	\$ 230	\$ 282	\$ (52)
Supplies	-0-	1,186	(1,186)
Repair and Maintenance	-0-	221	(221)
Other Expenses	2,594	17,025	(14,431)
Goods for Resale	<u>397,689</u>	<u>270,073</u>	<u>127,616</u>
Total Operating Costs	<u>\$400,513</u>	<u>\$288,787</u>	<u>\$111,726</u>

The canteen spent less than anticipated for personal and incidental items sold to inmates. In fiscal 1982, the canteen purchased \$235,745 of items for resale and \$301,760 was spent in fiscal 1983. A total of \$397,689 was authorized for purchases of goods for resale in fiscal 1984 while only \$270,073 was spent. Inventory remained stable at \$46,717 at the end of fiscal 1982, \$53,841 in fiscal 1983 and \$47,813 at fiscal 1984 year end. Fiscal 1984 purchases for resale were slightly less than fiscal 1983 expenditures. Fiscal 1984 sales did not show the same growth rate as between fiscal 1982 and 1983.

The canteen overspent other expenses by \$14,431. This was \$6,042 of inmate pay which the Department of Institutions said had previously been paid

from the prison general fund appropriation and \$8,389 more profit transferred to the inmate welfare fund than expected.

Current Level Adjustments

Operating expenses were increased \$320,000 so the canteen has sufficient, but not excessive authority to purchase goods for resale to the inmates. The other minor adjustments totaling \$108 were to cover increased allocated insurance and audit costs.

INDUSTRIES TRAINING

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	5.00	5.00	2.75	2.75	(45.0)
Personal Service	\$ 3,751	\$119,574	\$ 91,044	\$ 91,133	47.7
Operating Expense	65,498	222,537	240,073	236,793	65.5
Equipment	21,070	-0-	20,509	-0-	(2.6)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>7,422</u>	<u>11,396</u>	<u>--</u>
Total Expenditures	<u>\$90,319</u>	<u>\$342,111</u>	<u>\$359,048</u>	<u>\$339,322</u>	<u>61.4</u>
<u>Fund Sources</u>					
General Fund	\$69,594	\$128,549	\$ 75,635	\$ 71,528	(25.7)
Proprietary Fund	<u>20,725</u>	<u>213,562</u>	<u>283,413</u>	<u>267,794</u>	<u>135.2</u>
Total Funds	<u>\$90,319</u>	<u>\$342,111</u>	<u>\$359,048</u>	<u>\$339,322</u>	<u>61.4</u>

Industries training is a new program approved and funded by the 1983 legislature as a result of Senate Bill 1 of the second special session in fiscal 1982. The program, as approved, includes auto repair, heavy equipment repair, industrial arts, meat cutting, horticulture, business skills, and an electronic repair center. A new building was approved to house the program and will be completed in the 1987 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	5.00	5.00	0.00
Personal Services	\$119,196	\$ 3,751	\$ 115,445
Operating Expenses	208,722	54,710	154,012
Equipment	29,411	11,133	18,278
Total Expenditures	<u>\$357,329</u>	<u>\$69,594</u>	<u>\$ 287,735</u>
<u>Funding</u>			
General Fund	\$183,232	\$69,594	\$ 113,638
Proprietary Fund	174,097	-0-	174,097
Total Funds	<u>\$357,329</u>	<u>\$69,594</u>	<u>\$ 287,735</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$167,519	\$(167,519)

The training program did not become fully operational during fiscal 1984. The first employee was hired the last pay period of the fiscal year, although a horticulturist was under contract starting in fiscal 1984. Programs started were auto repair, heavy equipment maintenance and horticulture, however, none of the programs reached full operation. A garden was planted in fiscal 1984, but the harvest is in fiscal 1985.

The program received a grant from the Office of Public Instruction (OPI) for the purchase of training material and equipment in the amount of \$150,000. Also received was an OPI curriculum development grant for \$28,160. The program spent \$149,990 of the training material and equipment grant and \$17,529 of the curriculum development grant in fiscal 1984.

Current Level Adjustments

The program did not become fully operational in fiscal 1984. As a result, fiscal 1984 expenditures are not representative of the full operation of the program.

The program has deleted two teacher positions and 1.25 FTE industries shop supervisor positions while adding portions of FTE from both the ranch and industries program. The positions added are: .25 FTE accountant II, .25 FTE accounting technician II and .5 FTE of the industries production manager. The resulting compliment of FTE is 2.75, down from the authorized level of 5 FTE.

There are, however, 7 FTE in the prison general fund budget assigned to the training program. These training positions include: 3 automotive repairmen,

one industrial arts position, one meat cutter, one heavy equipment mechanic, and one printer. These positions will cost \$191,400 in fiscal 1986 and \$191,638 in fiscal 1987 before the pay plan costs.

Operating expenditures have been adjusted to reflect the agency's request. The overall increase above fiscal 1984 is \$174,575. Utility costs of \$29,776 have been included in fiscal 1987 to cover the anticipated costs of the new vocational education building.

Funding

Funding for the training program includes general fund of \$75,635 in fiscal 1986 and \$71,528 in fiscal 1987, as well as proprietary funds of \$283,413 and \$267,794 in each year of the biennium. Current level anticipates that the general fund support for the program from the prison budget, and the general fund included here combined with the proprietary funds will support the training program.

SWAN RIVER YOUTH FOREST CAMP

-----1987 Biennium-----

	<u>FTE</u> <u>FY '87</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	26.83	\$1,636,209	\$1,818,126
LFA Current Level	<u>26.83</u>	<u>1,664,409</u>	<u>1,844,852</u>
Executive Over (Under) LFA	<u><u>0.00</u></u>	<u><u>\$ (28,200)</u></u>	<u><u>\$ (26,726)</u></u>

The executive budget is \$26,726 under the LFA current level. The difference in total funding is due primarily to a lower inflation factor used by the executive and the executive budget includes more for equipment.

Issue 1: Equipment

The executive includes \$10,200 more for equipment than that included in the LFA current level analysis.

Issue 2: Inflation

The executive budget inflation factors are under the LFA, accounting for approximately \$35,000 difference between the executive budget and the LFA current level.

SWAN RIVER YOUTH FOREST CAMP

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	26.33	26.33	26.83	26.83	1.8
Personal Service	\$608,660	\$616,631	\$643,069	\$644,167	5.1
Operating Expense	239,667	281,670	248,522	242,967	(5.7)
Equipment	11,339	2,815	11,194	3,650	4.9
Inflation	-0-	-0-	19,718	30,972	--
Total Expenditures	<u>\$859,666</u>	<u>\$901,116</u>	<u>\$922,503</u>	<u>\$921,756</u>	<u>4.7</u>
<u>Fund Sources</u>					
General Fund	\$787,552	\$821,875	\$833,502	\$830,344	3.4
State Special	39,673	50,475	52,227	52,738	16.4
Federal Revenue	<u>32,441</u>	<u>28,766</u>	<u>36,774</u>	<u>38,674</u>	<u>23.3</u>
Total Funds	<u>\$859,666</u>	<u>\$901,116</u>	<u>\$922,503</u>	<u>\$921,756</u>	<u>4.7</u>

The Swan River Youth Forest Camp is a minimum security work camp for inmates transferred from the state prison who are between the ages of 18 and 26. The inmates work with the Forestry Division of the Department of State Lands and are involved in several forestry programs such as thinning, seeding and planting trees, and campground and recreational area maintenance.

The facility has an overall capacity of 54 inmates. In fiscal 1984, the camp experienced an average daily population of 49 with a 5.3 month average length of stay. The camp expects to remain at current level through the 1987 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

The camp had personal services savings from the turnover of six positions during fiscal 1984. Operating savings of \$42,105 occurred in contracted services, supplies, utilities, and other expenses. The camp did not have their biennial audit in fiscal 1984, therefore the \$6,900 will be spent in fiscal 1985. Food costs and janitorial supplies were a total of \$14,527 less than anticipated and utilities were \$10,981 less than budgeted. Inmate allowance and gate pay was \$9,721 less than budgeted and the camp purchased \$2,056 less merchandise for the canteen than anticipated.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	26.33	26.33	0.00
Personal Services	\$617,234	\$608,660	\$ 8,574
Operating Expenses	273,638	231,533	42,105
Equipment	14,814	11,339	3,475
Total Expenditures	<u>\$905,686</u>	<u>\$851,532</u>	<u>\$54,154</u>
<u>Funding</u>			
General Fund	\$826,700	\$787,552	\$39,148
State Special	50,475	39,673	10,802
Federal Revenue	28,511	24,307	4,204
Total Funds	<u>\$905,686</u>	<u>\$851,532</u>	<u>\$54,154</u>
<u>Additions</u>			
Budget Amendments	-0-	\$ 8,134	\$(8,134)

Swan River Youth Forest Camp submitted budget amendments totaling \$11,732 for ECIA Chapter I funding of educational programs and an Office of Public Instruction vocational education grant. The camp spent \$8,134 of the ECIA funds in fiscal 1984.

Current Level Adjustments

Personal services are increased for the addition of a .5 FTE teacher aide position funded by ECIA Chapter 1. In addition, the substance abuse counselor was vacant five and one-half months during fiscal 1984 and has been included at full cost for the 1987 biennium.

Operating expenses were increased \$16,989 in fiscal 1986 and \$11,434 in fiscal 1987. Contracted services were increased \$8,000 for audit fees and \$1,035 for insurance, but reduced \$1,413 for one-time expenditures associated with the ECIA education program.

Supplies and materials were increased \$3,564 for the purchase of EMIT system supplies (a system to check for substance abuse through urine analysis). These funds were spent in the Corrections Division budget during fiscal 1984. The Corrections Division budget has been decreased \$3,564. Shop supplies have been increased \$2,580 for the vocational education program funded by the OPI grant.

Rent for the facility's copy machine was increased \$705 to annualize the seven month cost in fiscal 1984. The lease purchase contract on this machine expires in December 1986, therefore the annual cost was reduced \$1,005 to reflect

five months of expense in fiscal 1987.

Utilities were reduced \$1,420 as a result of canceling the garbage removal contract and savings in electricity from installing a gas range, oven, and braising pan.

Communications, repairs, and other expenses were reduced a combined total of \$866 for ECIA grant expenses.

Goods purchased for resale were increased \$2,523 to allow sufficient authority within the proprietary fund to purchase goods sold to the inmates. The Canteen Program is a self-supporting activity.

Equipment in the current level budget includes major maintenance and upgrading of a radio base station, a 50 pound capacity washer to replace a machine requiring \$1,200 in repairs during fiscal 1984, office furniture, and a commercial grade coffee machine to replace several small household type coffee pots. The total current level cost is \$6,474 in fiscal 1986. Equipment included in the OPI vocational education grant totals \$4,720 in fiscal 1986 and \$3,650 in fiscal 1987.

Funding

Reimbursement for federal inmate room and board is estimated at \$16,300 in fiscal 1986 and \$16,455 in fiscal 1987 for one inmate during the 1987 biennium. Vacancies within the federal system have reduced the number of federal boarders sent to Montana. In addition, rising populations of the state's own inmates leaves little room for federal boarders.

School lunch funds are declining as a result of fewer school age inmates. Those inmates 21 and older, or that have a GED or diploma, are not eligible for the program. The number of school age inmates in fiscal 1983 was 13, and 9 in fiscal 1984. The agency anticipates school lunch funds of \$5,222 in each year of the biennium for an average of nine school age inmates.

ECIA and OPI funds total \$15,254 in fiscal 1986 and \$17,004 in fiscal 1987.

A substance abuse counselor is funded by the earmarked alcohol funds. The amount included is \$26,227 in fiscal 1986 and \$26,238 in fiscal 1987.

Funding for the Canteen Program is \$26,000 in fiscal 1986 and \$26,500 in fiscal 1987.

MONTANA VETERANS' HOME

		-----1987 Biennium-----	
	FTE FY '87	General Fund	Total Funds
Executive Budget	74.50	\$1,091,932	\$3,709,094
LFA Current Level	<u>74.00</u>	<u>879,374</u>	<u>3,580,052</u>
Executive Over (Under) LFA	<u>===.50</u>	<u>=== \$ 212,558</u>	<u>=== \$ 129,042</u>

The executive budget is \$129,042 above the LFA current level. The differences in total funding are due primarily to the addition of a .5 pharmacist, pharmacy and medical supplies previously provided by the Veteran's Administration, and basing operating costs on an average daily population (ADP) of 137 in contrast to base of 126 ADP in current level. The following issues reflect the major differences between the executive budget and current level.

Issue 1: Pharmacist

The executive budget adds a .5 pharmacist at a cost of \$25,955 to dispense drugs as a result of the Veterans' Administration discontinuation of this function. The current level analysis presents this as an issue.

Issue 2: Drugs and Medical Supplies

The executive budget includes \$75,362 of drug and medical supply costs as a result of the discontinuation of the service by the Veterans' Administration. The current level analysis present this as an issue.

Issue 3: Average Daily Population

The executive has budgeted for an average daily population of 137 residents while the current level budget is based on 126 ADP. The difference is approximately \$23,000 over the biennium.

Issue 4: Funding

The Veterans' Administration per diem reimbursement included in the executive budget is \$72,986 less than current level while third party reimbursement is \$10,530 less. The executive budget used the agency requested third party reimbursement at 44 percent of total costs. Historically, third party reimbursement collected has been 46 percent of total costs. In the executive budget the Veterans Administration reimbursement was included at the

agency request which was based on actual fiscal 1984 fourth quarter collections, annualized and projected forward to fiscal 1986 and 1987. The LFA analysis based Veterans' Administration reimbursement on projected occupancies of the nursing home and domiciliary at the Veterans' Administration rates.

MONTANA VETERANS' HOME

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	65.68	74.00	74.00	74.00	5.9
Personal Service	\$1,160,605	\$1,355,429	\$1,334,417	\$1,338,600	6.2
Operating Expense	348,588	444,816	401,350	393,528	0.2
Equipment	22,099	1,431	-0-	12,000	(49.0)
Inflation	-0-	-0-	38,520	61,637	--
Total Expenditures	<u>\$1,531,292</u>	<u>\$1,801,676</u>	<u>\$1,774,287</u>	<u>\$1,805,765</u>	<u>7.4</u>
<u>Fund Sources</u>					
General Fund	\$ 556,413	\$ 535,560	\$ 431,188	\$ 448,186	(19.4)
Federal Revenue	<u>974,879</u>	<u>1,266,116</u>	<u>1,343,099</u>	<u>1,357,579</u>	<u>20.5</u>
Total Funds	<u>\$1,531,292</u>	<u>\$1,801,676</u>	<u>\$1,774,287</u>	<u>\$1,805,765</u>	<u>7.4</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Drug and Medical Supplies				
Option a:	\$46,964	\$8,200	\$48,654	\$8,610
Option b:	\$33,794	\$8,200	\$35,484	\$8,610

The Montana Veterans' Home provides domiciliary and nursing care to honorably discharged veterans and if space is available to veterans' spouses. An addition to the home was completed in fiscal 1984 increasing the bed capacity to 151, a net increase of 36. Sixty-one of the 151 beds are domiciliary while 90 are nursing care beds. Currently the home is averaging 122 members in residence with 63 in domiciliary and 59 in nursing care.

The home is projecting an average daily population of 126 for the 1987 biennium which is an occupancy rate of 83 percent.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The personal services savings was generated as a result of opening the new addition March 20th rather than the anticipated date of February 1, 1984. Language in HB 447 provided for a reversion of \$847.52 per day for the number of days between February 1 and the date opened. The amount of the reversion at \$847.52 per day is \$40,681.

Savings in the operating expenses are a result of the later than anticipated

opening and a lower than anticipated average daily population. The average daily population for fiscal 1982 and fiscal 1983 up to the opening of the addition was 108. The addition was occupied three months in fiscal 1984 which increased the average daily population to 115.

Equipment expenditures were \$10,000 for a personal computer and \$12,099 was for a new phone system.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	65.68	65.68	0.00
Personal Services	\$1,216,046	\$1,160,605	\$55,441
Operating Expenses	378,576	348,588	29,988
Equipment	30,232	22,099	8,133
Total Expenditures	<u>\$1,624,854</u>	<u>\$1,531,292</u>	<u>\$93,562</u>
<u>Funding</u>			
General Fund	\$ 610,326	\$ 556,413	\$53,913
Federal & Private Revenue	1,014,528	974,879	39,649
Total Funds	<u>\$1,624,854</u>	<u>\$1,531,292</u>	<u>\$93,562</u>

The Montana Veterans' Home has increased direct care staff 1 FTE and decreased support staff 1 FTE. Licensed practical nurses were increased .3 to 6 FTE and nurses aides were increased .7 to 21.23 FTE. Table 1 shows the staff changes.

Table 1
Veterans' Home Staff Changes in Fiscal 1984

<u>Direct Care Staff</u>	<u>Authorized</u>	<u>Actual</u>	<u>Change</u>
Registered Nurses	4.92	4.92	0.00
Licensed Practical Nurses	5.70	6.00	+.30
Nurses Aides	20.53	21.23	+.70
Total Direct Care Staff	<u>31.15</u>	<u>32.15</u>	<u>+1.00</u>
<u>Support Staff</u>			
Food Service Worker	12.30	11.80	-.50
Custodial Worker	7.60	7.10	-.50
Groundskeeper	0.00	.50	+.50
Rehabilitation Aide	0.50	0.00	-.50
Total Support Staff	<u>20.40</u>	<u>19.40</u>	<u>-1.00</u>

Current Level Adjustments

Operating expenses increased \$52,762. The operating adjustments are broken into two types--adjustments for the increased average daily population of 126 and adjustments for changes in services or rates paid for services.

Population Adjustments

The home is projecting an increase of 16 residents for the 1987 biennium as a result of the expansion completed in fiscal 1984. Contracted services have been increased for laundry, medical services, and dental services. The laundry will cost \$3,456 for 16 additional residents. It will require an additional two hours per week for a physician to provide the necessary medical services. A dentist will spend an additional one-half hour per week providing dental coverage. The physician will cost an additional \$4,963 while the dentist will cost \$1,028 more.

The food budget has been increased \$29,093 over fiscal 1984 for an average cost per meal of 75 cents before inflation. The food increase is due to serving 19,753 additional resident and staff meals in fiscal 1986 than fiscal 1984 and accounting for costs incurred but not shown in SBAS due to food inventory changes.

Electricity usage has increased with the new addition. The usage is expected to reach 900,000 kilowatt hours compared with 759,640 in fiscal 1984. The increase in usage will cost \$6,415.

Additional linens and bedding were included at \$542.

Service or Rate Adjustments

Professional contracts were decreased \$3,426 to \$1,848. This will provide dietitian coverage eight hours per month. Insurance fees charged by the Department of Administration increased \$2,083 to \$4,915 in fiscal 1986 and will cost \$5,093 in fiscal 1987. Fees charged by the legislative auditor for the biennial audit are \$8,000. The home did not have an audit in fiscal 1984.

Water and sewer rates for the home were increased from \$678.30 per month to \$812.25 per month. The total increase is \$1,608 per year. Fiscal 1984 relocation costs of \$1,000 were removed from the base.

Funding

The Montana Veterans' Home has four sources of funding: general fund, Veterans' Administration per diem reimbursement, private third party reimbursement and land grant funds. The Veterans' Administration per diem rate

has increased from \$12.10 per day for nursing home care and \$6.35 for domiciliary care to \$17.05 and \$7.30, respectively. The private reimbursement pays approximately 46 percent of the expenditures.

Issue 1: Assumption of Drug and Medical Supply Costs

In prior years, the federal veterans' hospital has filled prescriptions and provided medical supplies for the members of the Montana Veterans' Home. The federal Veterans' Administration determined that the cost of these items should be part of the per diem reimbursement and as of July 1, 1984 will no longer supply these items. Officials at the federal Veterans' Administration hospital estimated the fiscal 1984 drugs and supplies provided to the veterans' home at \$38,640.

The veterans' home has requested to increase the supply budget to cover the additional cost with third party reimbursement picking up \$8,200 and general fund the balance. In addition, the home has requested a half-time pharmacist to dispense the drugs at a general fund cost of \$13,170.

Option a: Fund the additional drugs and medical supplies and the half-time pharmacist as requested. This option would cost \$55,164 in fiscal 1986 and \$57,264 in fiscal 1987 with inflation. The general fund cost is \$46,964 in fiscal 1986 and \$48,654 in fiscal 1987.

Option b: Fund the cost of the drugs and supplies, but have a local pharmacist prepare the prescriptions. This option could cost \$41,994 in fiscal 1984 and \$44,094 in fiscal 1987. The general fund costs would be \$33,794 and \$35,484 in each fiscal year respectively.

Option c: Do not fund the additional drugs and supplies. This option would require members to acquire and pay for drugs and medical supplies from local pharmacies.

MONTANA STATE HOSPITAL

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	703.60	\$35,631,539	\$39,052,593
LFA Current Level	702.30	36,253,847	39,639,100
Executive Over (Under) LFA	<u>1.30</u>	<u>\$ (622,308)</u>	<u>\$ (586,507)</u>

The executive budget is \$586,507 under the LFA current level due primarily to inflation factors, equipment, and the FTE difference. The executive budget used \$86,343 more of alcohol tax funds and included \$23,766 of donated funds which are an issue in the current level analysis.

Issue 1: FTE Changes

The executive budget deletes 3.6 FTE vacant positions including a psychologist, executive chef, a dietician, and a cook. The LFA current level analysis reduces 4.9 FTE--3.9 direct care due to the direct care ratio and a store manager position in the canteen. The executive deletions save \$194,341, while the current level analysis saves \$98,084.

Issue 2: Inflation

The executive budget uses an inflation rate lower than that of the current level analysis amounting to approximately \$470,209.

MONTANA STATE HOSPITAL

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	755.60	707.20	702.30	702.30	(4.0)
Personal Service	\$16,493,283	\$16,055,885	\$16,397,711	\$16,458,892	0.9
Operating Expense	3,047,541	3,478,775	2,990,674	2,969,102	(8.6)
Equipment	24,062	26,479	154,165	18,086	241.2
Inflation	<u>-0-</u>	<u>-0-</u>	<u>240,401</u>	<u>410,269</u>	--
Total Expenditures	<u>\$19,564,886</u>	<u>\$19,561,139</u>	<u>\$19,782,751</u>	<u>\$19,856,349</u>	<u>1.3</u>
Fund Sources					
General Fund	\$17,876,128	\$17,838,961	\$18,096,109	\$18,157,738	1.5
State Special	1,634,829	1,704,281	1,681,539	1,693,508	1.0
Federal Revenue	<u>53,929</u>	<u>17,897</u>	<u>5,103</u>	<u>5,103</u>	<u>(85.7)</u>
Total Funds	<u>\$19,564,886</u>	<u>\$19,561,139</u>	<u>\$19,782,751</u>	<u>\$19,856,349</u>	<u>1.3</u>

Montana State Hospital provides evaluation and psychiatric treatment on the Warm Springs campus for adults who are mentally ill. Inpatient alcohol and drug treatment programs are offered at the Galen campus as well as acute and intermediate care medical services for the mentally ill.

The Warm Springs campus had an average daily population of 341 during fiscal 1984 while the Galen campus served an average daily population of 105 acute and intermediate care patients, 64 alcohol patients, and 11 drug patients. The Children's Treatment Unit is expected to close in March 1985, transferring 27 adolescents to the Montana Youth Treatment Center in Billings. The staff and operating costs of the Children's Unit have been reduced from the current level budget. Table 1 shows the total staff changes including the Children's Unit.

Table 1
Montana State Hospital Staff Changes

<u>Position</u>	<u>FTE</u>	
Chapter I Teacher		1.0
Food Service Workers		4.4
Children's Unit		
Unit Supervisor	1.0	
Unit Clerk	1.0	
Psychologists	2.0	
Social Workers	2.0	
Recreation Therapist	2.0	
Music Therapist	1.0	
Rehabilitation Counselor	1.0	
Teacher Aide	2.0	
Teacher	1.0	
Registered Nurses	3.0	
Licensed Practical Nurses	8.0	
Aides	<u>19.0</u>	
Children's Unit Changes		43.0
Store Manager (Canteen)		1.0
Direct Care Adjustment:		
Add: Registered Nurses	1.5	
Delete: Licensed Practical Nurse	2.6	
Aides	<u>2.8</u>	
Direct Care Changes		<u>3.9</u>
Total Deletions		<u><u>53.3</u></u>

Expenditures increased 1.3 percent from the 1985 to the 1987 biennium. Montana State Hospital is funded primarily by general fund which increased 1.5 percent while alcohol earmarked funds for the Alcohol Program at Galen decreased .7 percent and canteen proprietary funds increased 13.6 percent. The decrease in federal funds reflects the loss of ECIA Chapter I and school lunch funds for the Children's Unit. A small amount of school lunch funds are included for patients between the ages of 18 and 21 who remain at the hospital.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	754.6	754.6	0.00
Personal Service	\$16,774,397	\$16,467,347	\$307,050
Operating Expenses	3,454,958	3,043,614	411,344
Equipment	183,976	14,378	169,598
Total Expenditures	<u>\$20,413,331</u>	<u>\$19,525,339</u>	<u>\$887,992</u>
<u>Funding</u>			
General Fund	\$18,725,270	\$17,876,128	\$849,142
State Special-Alcohol	1,535,148	1,519,449	15,699
State Special-Canteen	118,275	105,414	12,861
Federal Revenue	33,531	23,241	10,290
Other, Interest & Income	1,107	1,107	-0-
Total Funds	<u>\$20,413,331</u>	<u>\$19,525,339</u>	<u>\$887,992</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 39,547	\$(39,547)

The hospital had personal services savings of \$307,050 in fiscal 1984 amounting to 1.8 percent of budgeted due to normal position vacancies and turnover. The canteen store manager costing \$21,011 was funded out of general fund during fiscal 1984 when no general fund was appropriated for the canteen position. Among the vacancies were 1.89 FTE psychiatrists and 1 FTE physician.

The hospital experienced operating savings in all expense categories except travel, repairs and maintenance, and other expenses. Savings were realized in supplies and utilities of \$88,623 and \$394,291, respectively. The hospital spent \$14,378 of the \$183,976 authorized for equipment. Included in the amount spent was a \$10,000 accrual for a personal computer/word processor as part of the department's purchase plan.

Funding

Montana State Hospital is funded with general fund, alcohol state special revenue, the canteen state special revenue, federal school lunch, and interest and income from land leases and mineral royalties. The hospital spent \$849,142 less of the general fund than anticipated and all but \$15,699 of the alcohol earmarked revenue which partially funds the Alcohol Treatment Center at Galen.

The hospital received authority through a budget amendment to spend ECIA Chapter I and II funds of \$30,553 and insurance proceeds of \$11,453. The hospital actually spent \$29,582 of ECIA funds and \$9,965 of insurance proceeds in

fiscal 1984. The insurance proceeds resulted from fire damage to the receiving hospital and the laundry.

The hospital has been divided into seven programs: Drug, Canteen, Alcohol, Administration, Support, Treatment, and Direct Care Programs. These programs will be discussed individually in the narrative that follows.

DRUG PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	7.75	7.75	7.75	7.75	(0.0)
Personal Service	\$234,162	\$234,393	\$182,099	\$182,767	(22.1)
Operating Expense	23,331	26,449	23,317	23,337	(6.2)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>1,916</u>	<u>3,383</u>	--
Total Expenditures	<u>\$257,493</u>	<u>\$260,842</u>	<u>\$207,332</u>	<u>\$209,487</u>	<u>(19.5)</u>
<u>Fund Sources</u>					
General Fund	<u>\$257,493</u>	<u>\$260,842</u>	<u>\$207,332</u>	<u>\$209,487</u>	<u>(19.5)</u>

The Drug Program located on the Galen campus provides treatment to individuals who are drug dependent. The program serves males and females over the age of 18 and the largest age group are those between 21 and 30. Lighthouse has a capacity for 15 clients, but has served an average daily population of 11 for fiscal years 1982 through 1984, with each client staying an average of seven months.

Current Level Adjustments

Personal services are \$52,063 less in fiscal 1986 and \$51,395 less in fiscal 1987 than in fiscal 1984. This reduction reflects costs allocated to the program in fiscal 1984 that are not allocated in this budget, but left in those programs where the costs are incurred.

Operating expenses decrease \$14 in fiscal 1987 and increase \$6 in fiscal 1987. Insurance fees charged by the Department of Administration increased \$240 in fiscal 1986 to \$590 and an additional \$20 in fiscal 1987. Telephone costs increased \$37 to \$384 due to the installation of a new system in fiscal 1985. Garbage and trash removal has been decreased \$291 reflecting a change from a local hauling service to the institution's hauling its own garbage.

CANTEEN

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	2.00	2.00	1.60	1.60	(20.0)
Personal Service	\$ 21,011	\$ 38,533	\$ 28,466	\$ 28,478	(4.3)
Operating Expense	105,214	81,361	105,929	105,929	13.5
Equipment	200	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	9,066	14,745	--
Total Expenditures	<u>\$126,425</u>	<u>\$119,894</u>	<u>\$143,461</u>	<u>\$149,152</u>	<u>18.7</u>
Fund Sources					
General Fund	\$ 21,011	\$ -0-	\$ -0-	\$ -0-	(100.0)
State Special	<u>105,414</u>	<u>119,894</u>	<u>143,461</u>	<u>149,152</u>	<u>29.9</u>
Total Funds	<u>\$126,425</u>	<u>\$119,894</u>	<u>\$143,461</u>	<u>\$149,152</u>	<u>18.7</u>

The Montana State Hospital Canteen provides a snack bar where patients can purchase sandwiches, pop, candy, cigarettes, and certain personal items. The canteen is self-sufficient with the exception of the store manager position which is general funded. The other position, a cook, was vacant all of fiscal 1984 and remains vacant in fiscal 1985 due to the lack of revenue within the canteen account to fund the position.

Current Level Adjustments

The cook position has been decreased to a .6 FTE. Personal services increase \$7,467 over fiscal 1984 after applying a 4 percent vacancy savings. Goods purchased for resale have been increased \$715.

ALCOHOL PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	20.50	20.50	20.50	20.50	(0.0)
Personal Service	\$1,456,692	\$1,544,595	\$486,193	\$487,679	(67.5)
Operating Expense	219,952	296,775	219,307	219,387	(15.1)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>18,502</u>	<u>31,717</u>	<u>--</u>
Total Expenditures	<u>\$1,676,644</u>	<u>\$1,841,370</u>	<u>\$724,002</u>	<u>\$738,783</u>	<u>(58.4)</u>
<u>Fund Sources</u>					
General Fund	\$ 157,195	\$ 256,983	\$ -0-	\$ -0-	(100.0)
State Special	<u>1,519,449</u>	<u>1,584,387</u>	<u>724,002</u>	<u>738,783</u>	<u>(52.8)</u>
Total Funds	<u>\$1,676,644</u>	<u>\$1,841,370</u>	<u>\$724,002</u>	<u>\$738,783</u>	<u>(58.4)</u>

The Alcohol Program, on the Galen campus, provides a 28-day intensive alcoholic treatment program. The program serves alcoholics over the age of 18, the largest age group served is the 31 to 44 year olds. The program served an average daily population of 63 during fiscal 1984, 65 during fiscal 1983, and 62 during fiscal 1982. With a capacity for 72, the program has been averaging 88 percent occupancy over the last three fiscal years.

The program uses the general hospital at Galen for detoxification of alcoholic patients. The general hospital had an average daily population of 24 alcoholic patients in fiscal 1984.

Current Level Adjustments

The current level budget does not include the allocated personal services costs of the other hospital programs as reflected in the fiscal 1984 actual or the fiscal 1985 appropriated. Therefore, personal services decreased \$970,499 to the level of the direct cost of the FTE in the program. The allocated costs remain in the programs where the costs are incurred.

Operating expenses decreased \$645 overall. Insurance fees charged by the Department of Administration increased \$961 to \$3,217 in fiscal 1986 and an additional \$80 in fiscal 1987. Telephone service costs increased \$349 as a result of the new phone system installed in fiscal 1985. Due to the institution's request for a garbage truck to do its own trash removal, the contract for these services has been eliminated. The savings to the Alcohol Program is \$1,835. Other minor reductions amounted to \$120.

ADMINISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	40.10	40.10	40.10	40.10	(0.0)
Personal Service	\$ 910,508	\$ 835,642	\$ 958,998	\$ 961,818	10.0
Operating Expense	273,106	305,636	286,973	263,350	(4.9)
Equipment	19,259	-0-	-0-	-0-	(100.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>16,355</u>	<u>26,282</u>	<u>--</u>
Total Expenditures	<u>\$1,202,873</u>	<u>\$1,141,278</u>	<u>\$1,262,326</u>	<u>\$1,251,450</u>	<u>7.2</u>
<u>Fund Sources</u>					
General Fund	\$1,192,907	\$1,141,278	\$1,226,425	\$1,215,924	4.6
State Special	<u>9,966</u>	<u>-0-</u>	<u>35,901</u>	<u>35,526</u>	<u>616.7</u>
Total Funds	<u>\$1,202,873</u>	<u>\$1,141,278</u>	<u>\$1,262,326</u>	<u>\$1,251,450</u>	<u>7.2</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Donations	-0-	\$11,883	-0-	\$11,883
2. Switchboard Operators	\$(85,024)	-0-	\$(85,162)	-0-

This program includes the functions of payroll, personnel, accounting, purchasing, mail processing, telephone switchboard and the chief executive officer. This program performs the consolidated functions for both Galen and the Warm Springs campuses.

Current Level Adjustments

Personnel costs increased \$48,490 over fiscal 1984. The increase is due primarily to maintaining the total costs in the program rather than allocating a portion to the Drug and Alcohol Programs. A proportionate share of the alcohol funds have been included in the funding for this program.

Operating expenses increase \$13,867 from fiscal 1984 to fiscal 1986 and decrease \$23,623 in fiscal 1987. Audit fees charged by the Legislative Auditor increased \$17,867 to \$23,623 for fiscal 1986 only. Legal service fees of \$29,082 paid to Montana Legal Services have been deleted. These services have been transferred to the Governor's Board of Visitors.

Supplies have been reduced \$493 as a result of the Children's Unit moving to the new facility in Billings. Communications cost increase \$25,900 as a result of two factors: a new system was installed in fiscal 1985 and state tie-line costs

increased after converting to a metered rate rather than a flat rate charge. Data processing rental fees have decreased \$2,273 to \$1,302 for an IBM card sorter. Other minor adjustments combined for an increase of less than 1 percent.

Funding

Current level includes alcohol earmarked funding of \$35,901 in fiscal 1986 and \$35,526 in fiscal 1987. This reflects the proportionate share of services that are provided by this program to the Alcohol Program. The remainder of the funding is general fund.

Issue 1: Donations

The agency has submitted a request to appropriate donated funds as a result of Opinion 36 of the Attorney General's Office. Opinion 36 considers funds donated to a state institution to be spent at the discretion of the institution for the benefit of its residents as a state fund requiring an appropriation. Montana State Hospital is requesting authority for \$10,828 of donations in each year of the 1987 biennium and \$955 for pop machine royalties and \$100 for miscellaneous receipts. These funds will be spent for the benefit of residents on items such as Christmas gifts, special olympics, annual patient carnival, patient parties, and ward outings.

Option a: Grant the authority to spend donated funds, pop machine royalties, and miscellaneous receipts. The total request is \$11,883 in each year of the biennium.

Option b: Decide that these funds are appropriately placed in the agency fund which does not require an appropriation.

Issue 2: Switchboard Operators

Montana State Hospital is installing a new telephone system during fiscal 1985. The system will replace the existing switchboards, one at Galen and one at Warm Springs, with a single unit at the Warm Springs campus. Currently, the switchboards are staffed with four operators at Warm Springs and five at Galen. With one switchboard at Warm Springs, the five operator positions at Galen are no longer needed. The deletion of the five positions at Galen will save \$85,024 in fiscal 1986 and \$85,162 in fiscal 1987. Based on allocations in this current level budget, general fund savings would be \$81,767 in fiscal 1986 and \$81,943 in fiscal 1987 while alcohol earmarked fund savings are \$3,257 and \$3,219, respectively.

Option a: Delete the five Galen switchboard operators for a total savings of \$85,024 in fiscal 1986 and \$85,162 in fiscal 1987.

Option b: Delete five switchboard operators from the nine total based on seniority or a bid system. The savings should amount to approximately the same as Option a.

SUPPORT

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal <u>1984</u>	Fiscal <u>1985</u>	Fiscal <u>1986</u>	Fiscal <u>1987</u>	1985-87 Biennium
F.T.E	195.70	192.10	191.50	191.50	(1.2)
Personal Service	\$3,752,418	\$3,664,453	\$4,148,938	\$4,162,424	12.1
Operating Expense	1,983,743	2,343,715	1,925,448	1,927,399	(10.9)
Equipment	4,157	26,479	53,634	18,086	134.1
Inflation	<u>-0-</u>	<u>-0-</u>	<u>157,591</u>	<u>274,010</u>	<u>--</u>
Total Expenditures	<u>\$5,740,318</u>	<u>\$6,034,647</u>	<u>\$6,285,611</u>	<u>\$6,381,919</u>	<u>7.6</u>
<u>Fund Sources</u>					
General Fund	\$5,715,970	\$6,016,750	\$6,043,368	\$6,142,153	3.9
State Special	-0-	-0-	237,140	234,663	100.0
Federal Revenue	<u>24,348</u>	<u>17,897</u>	<u>5,103</u>	<u>5,103</u>	<u>(75.8)</u>
Total Funds	<u>\$5,740,318</u>	<u>\$6,034,647</u>	<u>\$6,285,611</u>	<u>\$6,381,919</u>	<u>7.6</u>

This program includes all the support services for both campuses. These include food services, laundry, housekeeping, groundskeepers, maintenance, warehouse, barbers and cosmetologists, and the crafts.

Current Level Adjustments

This program deleted 4.4 food service workers as a result of the food service consolidation approved by the 1983 legislature. The program has transferred .2 FTE of authority from another program to increase an existing food service position to full-time.

The increase in personal service costs of \$396,520 results from retaining the total staff costs in the program, rather than allocating portions to the Alcohol Program and the Drug Program.

Operating costs decrease \$58,295 overall as a result of the Children's Unit move and the deletion of the garbage removal contract. Supplies, utilities, and repairs have been reduced a total of \$56,766 due to the transfer of the Children's Unit to Billings. Insurance fees charged by the Department of Administration have increased \$22,819 over the fiscal 1984 amount of \$51,306 and an additional

\$1,951 for fiscal 1987. The garbage removal service has been reduced \$24,380 from \$24,840 in fiscal 1984. This reduction is based on the institution's request to purchase a garbage truck for \$38,000 which is included in current level. The total biennium savings is expected to be \$15,008.

Other equipment includes a magnetic compensator switch to replace the switch for the deep water well at Galen, a water softener and brine tank to replace the Galen unit, bread racks to replace those cited by the department of health as unsanitary due to rusting, and firefighting equipment to replace and update existing equipment for the Montana State Hospital Volunteer Fire Department. The total included is \$53,634 in fiscal 1987 and \$18,086 in fiscal 1987.

Funding

Funding for this program includes general fund and alcohol earmarked funds of \$237,140 in fiscal 1986 and \$234,663 in fiscal 1987. Also included are funds from the rental of Galen land holdings of \$1,131 each year of the biennium and \$3,972 of school lunch money for patients between the ages of 18 and 21. The school lunch is based on actual meals served to this population in fiscal 1984.

TREATMENT

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	130.95	117.35	117.35	117.35	(5.4)
Personal Service	\$3,280,182	\$3,229,339	\$3,655,898	\$3,664,538	12.4
Operating Expense	442,195	424,839	429,700	429,700	(0.8)
Equipment	446	-0-	100,331	-0-	22,395.7
Inflation	-0-	-0-	36,971	60,132	--
Total Expenditures	<u>\$3,722,823</u>	<u>\$3,654,178</u>	<u>\$4,222,900</u>	<u>\$4,154,370</u>	<u>13.5</u>
<u>Fund Sources</u>					
General Fund	\$3,693,242	\$3,654,178	\$3,981,282	\$3,915,276	7.4
State Special	-0-	-0-	241,618	239,094	--
Federal Revenue	29,581	-0-	-0-	-0-	(100.0)
Total Funds	<u>\$3,722,823</u>	<u>\$3,654,178</u>	<u>\$4,222,900</u>	<u>\$4,154,370</u>	<u>13.5</u>

The Treatment Program includes the medical, educational, and professional staff who provide the various treatment services at Montana State Hospital.

Services provided are psychological, medical, dental, pharmacy, laboratory, x-ray, occupational and recreation therapy, medical records, social services, and education. Funding for this program in fiscal 1984 was primarily general fund with a small amount of ECIA Chapter I and II funds that were added by budget amendment.

Current Level Adjustments

The deletion of 13.6 FTE results from the Children's Unit's move to Billings (see Table 1, page 2) and the transfer of .6 FTE to provide needed position authority in the canteen. Personal services costs increased primarily as a result of maintaining actual costs in the program rather than allocating portions to the Drug Program and the Alcohol Program.

Operating costs decreased \$12,495 as a result of the Children's Unit's moving to Billings. Supply costs decreased \$8,443, travel decreased \$558, and repairs declined \$295.

Equipment included in the budget is a refurbished radiographic/fluoroscopic unit costing \$88,331 to replace the 32 year-old unit currently in use; an auto radiographic film processor costing \$10,800 to replace the current unit which required three repairs in fiscal 1984 at a cost of \$1,200; and a Parko hydromixer costing \$1,700 to increase the efficiency of mixing x-ray chemicals. The total equipment included in fiscal 1986 is \$100,331.

Alcohol earmarked funding of \$241,618 in fiscal 1986 and \$239,094 in fiscal 1987 have been included with general fund to fund this program.

DIRECT CARE

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	357.60	327.40	323.50	323.50	(5.5)
Personal Service	<u>\$6,838,310</u>	<u>\$6,508,930</u>	<u>\$6,937,119</u>	<u>\$6,971,188</u>	<u>4.2</u>
<u>Fund Sources</u>					
General Fund	\$6,838,310	\$6,408,930	\$6,637,702	\$6,674,898	0.4
State Special	<u>-0-</u>	<u>-0-</u>	<u>299,417</u>	<u>296,290</u>	<u>--</u>
Total Funds	<u>\$6,838,310</u>	<u>\$6,508,930</u>	<u>\$6,937,119</u>	<u>\$6,971,188</u>	<u>4.2</u>

This program consists of the direct care staff serving the seven treatment units of the Warm Springs campus and the acute and intermediate care units at

Galen. Direct care staff is comprised of psychiatric (registered) nurses, licensed practical nurses, nurse aides, psychiatric aides, and special duty aides.

The 1981 legislature established direct care ratios of one registered nurse for 11 patients, one licensed practical nurse for 6.4 patients, and one aide for 1.9 patients. The current level budget maintains these ratios.

Current Level Adjustments

The direct care staff decreased 34.1 FTE from fiscal 1984 to fiscal 1986. Thirty of these FTE are deleted from the Montana State Hospital budget as a result of the Children's Unit's moving to the new facility in Billings. The staff deleted are three registered nurses (RN), eight licensed practical nurses (LPN), and 19 psychiatric aides. A .20 FTE of an aide position was reduced from this program by the agency to increase support staff by .20 FTE. Additional adjustments have been made to current level to conform to the established direct care ratios. RN's have been increased 1.5 FTE, LPN's decrease 2.6 FTE, and aides decrease 2.8 FTE for anticipated average daily populations of 313 at Warm Springs and 105 acute and intermediate care at Galen. Table 1 shows the staff to patient ratios as established by the legislature and the required staff to serve the anticipated populations.

Table 1
Montana State Hospital Estimated 1987 Biennium
Population and Direct Care Staffing Needs Based on Direct Care Ratios

	<u>RN</u>	<u>LPN</u>	<u>Aide</u>	<u>Total</u>
Direct Care Ratio	1:11	1:6.4	1:1.9	N/A
Staffing at 418 ADP	38.00	65.50	220.00	323.50
Current Level Staffing	<u>36.50</u>	<u>68.10</u>	<u>222.80</u>	<u>327.40</u>
Staff Changes Over (Under)	<u><u>1.50</u></u>	<u><u>(2.60)</u></u>	<u><u>(2.80)</u></u>	<u><u>(3.90)</u></u>

Personal service costs as reflected in the main table increase even though 34.1 FTE are deleted. This results from maintaining total costs within this program and allocating the alcohol earmarked revenue to the Direct Care Staff Program, rather than allocating portions to the Alcohol and Drug Programs.

BOARD OF PARDONS

		-----1987 Biennium-----	
	FTE FY '87	General Fund	Total Funds
Executive Budget	4.0	\$325,505	\$325,505
LFA Current Level	4.0	319,644	319,644
Executive Over (Under) LFA	<u>0.0</u>	<u>\$ 5,861</u>	<u>\$ 5,861</u>

The executive budget is \$5,861 above the LFA current level. The difference in total funding is due primarily to per diem paid board members.

Issue 1: Per Diem for Board Members

The executive budget includes \$44,400 for board member per diem. The current level budget includes the fiscal 1984 level through the 1987 biennium at \$37,300.

BOARD OF PARDONS

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	4.00	4.00	4.00	4.00	(0.0)
Personal Service	\$114,977	\$114,664	\$119,629	\$119,736	4.2
Operating Expense	32,213	33,584	38,524	36,011	13.2
Equipment	662	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	2,169	3,575	--
Total Expenditures	<u>\$147,852</u>	<u>\$148,248</u>	<u>\$160,322</u>	<u>\$159,322</u>	<u>7.9</u>
<u>Fund Sources</u>					
General Fund	<u>\$147,852</u>	<u>\$148,248</u>	<u>\$160,322</u>	<u>\$159,322</u>	<u>7.9</u>

The Board of Pardons oversees Montana's inmate parole and furlough programs. The board also reviews requests for executive clemency and makes recommendations to the Governor concerning those requests.

The board consists of three members and an auxiliary member who are appointed by the Governor. At least one member is required to have particular knowledge of Indian culture and problems. Members are compensated \$50 for each day board duties are actually and necessarily performed. In addition board members are compensated for actual travel expenses incurred performing board duties.

The Board has four full-time employees, located in Deer Lodge, who perform support and administrative duties for the board.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	4.00	4.00	0.00
Personal Services	\$114,806	\$114,977	\$ (171)
Operating Expenses	34,576	32,213	2,363
Equipment	392	662	(270)
Total Expenditures	<u>\$149,774</u>	<u>\$147,852</u>	<u>\$1,922</u>
<u>Funding</u>			
General Fund	<u>\$149,774</u>	<u>\$147,852</u>	<u>\$1,922</u>

The personal services deficit of \$171 consists of \$4,150 of board member per diem savings offset by \$4,321 of pay plan costs associated with the four full-time positions. The operating savings of \$2,363 occurred primarily as a result of contracting for half days rather than full days for a court reporter. Savings in travel and rent were offset by increased expenditures in supplies, communications, repairs, and other expense.

The 1983 legislature authorized \$3,725 for out-of-state travel with the stipulation that the unexpended balance of these funds would revert to the general fund. The board expended \$2,247 on three out-of-state trips which leaves \$1,478 to revert.

Current Level Adjustments

Board member per diem has been budgeted at \$18,650 to allow the hearing and work days anticipated by the 1983 legislature. This is an increase of \$4,150 above fiscal 1984 expenditures.

Audit fees have been increased from \$2,300 in fiscal 1984 to \$2,520 in fiscal 1986 as requested by the legislative auditor.

Out-of-state travel has been increased \$1,532 to \$3,725 before inflation. This allows five out of state parole hearing trips in each year of the biennium. In the 1985 biennium, the board agreed to revert unused out-of-state travel funds. The same agreement could be made for the 1987 biennium. In-state travel was increased \$3,555 to allow for travel costs required to conduct additional hearings at the pre-release centers.

MONTANA YOUTH TREATMENT CENTER

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	112.26	\$5,036,105	\$5,112,127
LFA Current Level	112.26	4,930,670	5,021,226
Executive Over (Under) LFA	<u>-0-</u>	<u>\$ 105,435</u>	<u>\$ 90,901</u>

The executive budget is \$90,901 above current level. The difference in total funding is due primarily to personal services overtime and holidays worked, audit costs in fiscal 1986, and school lunch funding.

Issue 1: Overtime and Holidays Worked

The executive budget includes overtime and holidays worked totaling \$37,937 in fiscal 1986 and \$40,398 in fiscal 1987. These costs are not included in current level.

Issue 2: Audit Costs

The executive budget includes \$10,000 of audit costs in fiscal 1986. As the center will not have been in operation long enough to have an audit, the current level does not include this cost.

Issue 3: Out-of-State Travel

The executive budget includes \$14,534 less of school lunch funds than current level utilizes for the 1987 biennium.

MONTANA YOUTH TREATMENT CENTER

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	0.00	109.43	112.26	112.26	105.1
Personal Service	-0-	\$1,658,660	\$2,111,384	\$2,112,381	154.6
Operating Expense	-0-	159,626	355,595	355,407	345.4
Equipment	-0-	33,708	-0-	-0-	(100.0)
Inflation	-0-	-0-	34,357	52,102	--
Total Expenditures	-0- ===	\$1,851,994 =====	\$2,501,336 =====	\$2,519,890 =====	171.1 =====
<u>Fund Sources</u>					
General Fund	-0-	\$1,813,983	\$2,456,168	\$2,474,502	171.8
Federal Revenue	-0-	38,011	45,168	45,388	138.2
Proprietary Fund					
Total Funds	-0- ===	\$1,851,994 =====	\$2,501,336 =====	\$2,519,890 =====	171.1 =====

The Montana Youth Treatment Center will provide long-term psychological and educational services to seriously emotionally disturbed residents. The center is designed for a capacity of 60 adolescents aged 12 to 18. The 30 residents of the children's unit at Montana State Hospital will move to the Montana Youth Treatment Center when it is ready for occupancy. Other youth who are currently placed out-of-state on the waiting list for the children's unit at Montana State Hospital or in the community, but need the secure environment of the center, will be phased-in as quickly as possible.

The center is expected to open March 1, 1985. Funds were appropriated for seven months of operation in fiscal 1985 at the new facility and five months at the children's unit at Montana State Hospital. The department was authorized to transfer funds from the Montana Youth Treatment Center appropriation to fund the children's unit at a rate consistent with the expenditure level as established by the Montana State Hospital appropriation. The department plans to complete the phase-in of residents by July 1, 1985.

Personal Services

The Montana Youth Treatment Center will be a licensed psychiatric hospital. As such, the center will have to meet minimum standards as established by the federal government under Title 42:405, Subpart J, to be eligible for medicaid reimbursement. Both federal and state standards require certain staffing levels

which are reviewed during the certificate-of-need process. The center staffing was approved through the certificate-of-need process as well as the 1983 legislature at 112.26 FTE.

The current level budget includes 112.26 FTE. The personal services have been increased \$5,698 in fiscal 1986 and \$5,700 in fiscal 1987 as a result of class action upgrades of custodial workers from grade 6 to grade 7. Table 1 shows 49.10 FTE direct care staff included in the budget with 60 residents. This is a staff-to-resident ratio of .82 FTE to one resident.

Table 1
Montana Youth Treatment Center Direct Care Staff

<u>Direct Care Staff</u>	<u>FTE</u>
Registered Nurses	5.00
Licensed Practical Nurses	5.00
Psychiatric Aides	<u>39.10</u>
Total	<u><u>49.10</u></u>

The direct care staffing provides for one registered nurse, one licensed practical nurse, and eight psychiatric aides for three 8-hour shifts per day, seven days per week using a relief factor of 1.63. The staffing ratio does not include the nursing services manager.

The education staff (15 FTE) of one education director, eight teachers, and six teacher aides is the minimum staff required for certification of self-contained special education programs. This is one staff for four students.

Treatment staff (18 FTE) consists of one board certified child psychiatrist who will be the clinic services director, four psychologists, one psychometrist, five social workers, one rehabilitation counselor, three rehabilitation aides, one music therapist, and two recreation therapists.

The remaining 29.16 FTE consists of support and administrative staff. These include food service, custodial, maintenance, medical records, transportation, accounting, clerical, and supervisory staff.

Operating Expenses

Table 2 lists the contract services costs included in current level. Inflation is shown separately with the exception of the pharmacy, the alcohol and

drug counselor, and insurance.

Table 2
Montana Youth Treatment Center Contract Services

<u>Contract Services</u>	<u>Fiscal 1986 Cost</u>
Pharmacy	\$ 9,360
Chaplains	2,400
Hair Care	1,800
Pediatrician--Admission Physicals	2,200
Physical/Occupational Therapist	13,000
Physician--on call	12,000
Alcohol and Drug Counselor	3,300
Insurance	4,476
Laundry	22,426
Medical/Hospital	13,296
Optometric	2,121
Dental	3,867
Medical Records	900
Laboratory	732
Pest Control	600
Fire Suppression	285
Dietician	<u>1,102</u>
Total Contract Services	<u>\$93,865</u>

Professional contracts include \$9,360 in fiscal 1986 and \$9,880 in fiscal 1987 for pharmacist services; \$2,400 for one Catholic and one Protestant chaplain services; \$13,000 for 10 hours weekly of occupational/physical therapy services as required for licensure; \$14,200 for physician, on-call, emergency medical services and youth admission physicals; \$3,300 for five hours weekly substance abuse counseling; and \$1,800 for hair care.

Other major contracts consist of outside medical and hospital costs of \$13,296 based on fiscal 1984 costs at the children's unit adjusted for the higher population at the new facility. Optometry and dental contracts of \$5,988 are included based on an average cost per student at Mountain View and Pine Hills where similar age groups are served. Insurance fees charged by the Department of Administration are included at \$4,476 in fiscal 1986 and \$4,602 in fiscal 1987. Other contracts totaling \$3,619 include medical records, laboratory, pest control, fire suppression, and dietician services.

Table 3 lists the supply costs included in current level. These costs include

inflation of \$11,637 in fiscal 1986 and \$19,095 in fiscal 1987.

Table 3
Montana Youth Treatment Center Supply Costs

<u>Supply</u>	<u>Fiscal 1986 Costs</u>
Athletic and Recreational	\$ 2,863
Clothing and Personal	3,433
Educational	8,812
Food	87,141
Housekeeping	1,296
Medical	2,708
Gasoline	3,129
Drugs	10,560
Shop	908
Office	4,552
Books	1,822
Janitorial	5,217
Laundry	1,040
Linens and Pedding	1,565
Kitchen	4,261
Inflation	11,637
Total Costs	<u><u>\$150,944</u></u>

Supply costs of \$150,944 include \$87,141 for food costs based on the weighted average cost per meal at Mountain View School and Pine Hills School of 93 cents for 93,700 staff and resident meals at the new center. Also included is \$10,560 for drug supplies based on the children's unit at Montana State Hospital. Educational, recreational, personal supplies, and books, based on the average cost per resident at Mountain View and Pine Hills, are \$8,812, \$2,863, \$3,433, and \$1,822, respectively. The remaining supply costs of \$24,676 are based on Eastmont's fiscal 1984 costs because of the similarity of the facility and its relative age. These supplies include housekeeping and janitorial, office, shop, minor tools, and kitchen supplies.

Communications costs of \$12,769 in fiscal 1986 and \$13,315 are based on quotes from the Communications Division of the Department of Administration. Included is the purchase of the phone system over three years costing \$6,788 in fiscal 1986 and \$7,334 in fiscal 1987.

Travel costs include \$5,976 in-state travel to provide staff travel for pre-admission screenings and discharge planning and placements, as well as

administrative travel for the superintendent to attend department meetings.

Rent of \$6,244 includes lease purchase costs of \$4,200 for a copy machine and \$1,320 for storage costs due to limited storage space in the new facility. The remaining \$724 is for postage meter costs and video tape rental to provide two movies per week for the residents.

Utilities are budgeted at \$75,401 for fiscal 1986 and \$73,889 in fiscal 1987. Electricity and natural gas are based on estimates made for the 1983 legislative session by the architects. Also included are Special Improvement District (SID) payments to the city of Billings for water and sewer improvements. The SID costs are \$31,794 in fiscal 1986 and \$30,282 in fiscal 1987.

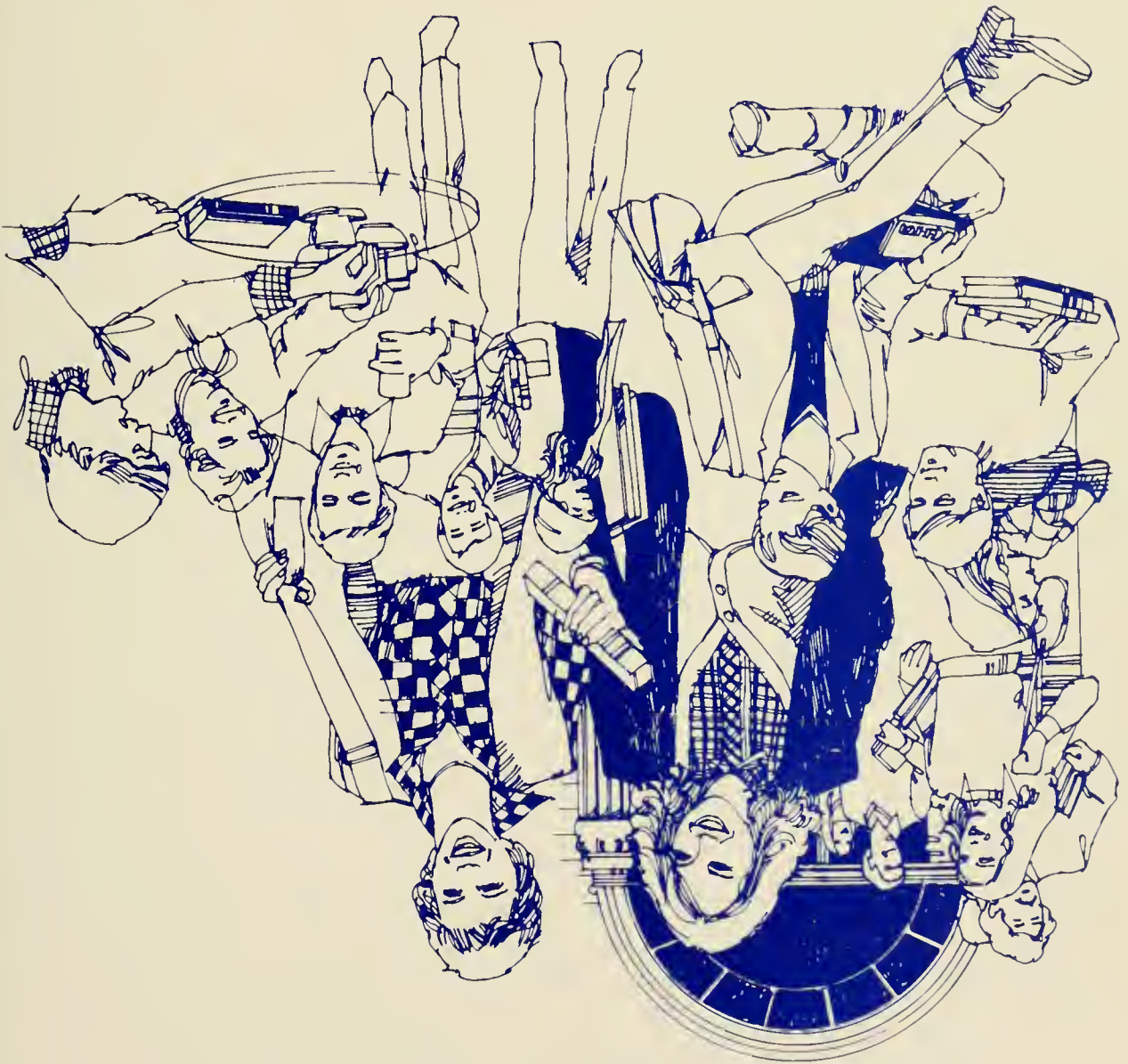
Repair and maintenance costs included are based on Eastmont Human Services Center fiscal 1984 actual costs of \$20,877. While other expenses of \$1,156 include subscriptions, hospital license costs, and recruiting costs.

The department did not request equipment for the 1987 biennium.

Funding

Funding for the Montana Youth Treatment Center comes primarily from the general fund; however, the facility will be eligible to receive school lunch funds which are included at \$45,168 in fiscal 1986 and \$45,388 in fiscal 1987. Any medicaid or private reimbursement collected by the Department of Institutions Central Office will be deposited directly to the general fund.

EDUCATION



BOARD OF PUBLIC EDUCATION

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	5.00	\$362,593	\$362,593
LFA Current Level	<u>2.00</u>	<u>205,655</u>	<u>205,655</u>
Executive Over (Under) LFA	<u>3.00</u>	<u>\$156,938</u>	<u>\$156,938</u>

The executive budget exceeds the current level in general fund and total funds by \$156,938 or 76 percent in the 1987 biennium. The following issues reflect the major difference between the executive budget and current level.

Issue 1: Vacancy Savings

The executive budget applied 4 percent vacancy savings to current level personal services. Vacancy savings was not applied in the current level budget. Excluding modified requests, the executive budget is lower in current level personal services than the current level by \$2,101 in fiscal 1986 and \$2,002 in fiscal 1987.

Issue 2: Additional Staffing

The executive budget includes funding for three additional positions requested by the Board of Public Education--lawyer, management analyst, and secretary. The LFA current level analysis does not include funding for these positions. The additional cost of the 3 FTE in the executive budget including operating expenses and equipment is \$84,335 in fiscal 1986 and \$79,443 in fiscal 1987.

BOARD OF PUBLIC EDUCATION

Budget Item	Actual	Appropriated	Current Level		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	2.00	2.00	2.00	2.00	0.00
Personal Service	\$59,612	\$62,083	\$ 66,003	\$ 66,030	8.5
Operating Expense	37,941	35,899	35,487	33,688	(6.3)
Equipment	197	-0-	-0-	-0-	--
Inflation	-0-	-0-	1,667	2,780	--
Total Expenditures	<u>\$97,750</u>	<u>\$97,982</u>	<u>\$103,157</u>	<u>\$102,498</u>	<u>5.1</u>
<u>Fund Sources</u>					
General Fund	<u>\$97,750</u>	<u>\$97,982</u>	<u>\$103,157</u>	<u>\$102,498</u>	<u>5.1</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Legal Services				
Option 1: Staff Lawyer	\$28,705	-0-	\$27,632	-0-
Option 2: Contract	\$ 2,550	-0-	\$ 2,550	-0-

The Board of Public Education was created by Article X, Section 9 of the 1972 Montana Constitution. The board, which consists of seven members appointed by the Governor and confirmed by the senate, is responsible for exercising general supervision over the public school system. Additionally, the board is designated by statute as the governing board of the Montana School for the Deaf and Blind and the Montana Fire Services Training School.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table presents a comparison of what the 1983 legislature budgeted for the Board of Public Education to actual expenditures for fiscal 1984. The difference of \$2,552 in personal services results from vacancy savings.

Budget Item	Budgeted	Actual	Difference
F.T.E.	2.00	2.00	0.00
Personal Services	\$ 62,164	\$59,612	\$2,552
Operating Expenses	38,675	37,941	734
Equipment	313	197	116
Total Costs & General Fund	<u>\$101,152</u>	<u>\$97,750</u>	<u>\$3,402</u>

Current Level Adjustments

The increase in personal services of 8.5 percent results from (1) board approval of a promotion to the executive secretary, and (2) there were vacancy savings in fiscal 1984.

The 1983 legislature appropriated \$2,550 to the Board of Public Education to allow the agency to contract with a national research center to provide comparative information about state policies and practices in other states. The board spent \$2,101 of the one-time appropriation to contract with the Department of Justice, Legal Services Division, on legal issues relating to policies and decisions implemented by the board. The remaining \$449 of the one-time appropriation was spent on temporary secretarial services. Expenditures relating to contracted legal services and the temporary secretary were removed from the base.

The apparent drop in operating expenses from fiscal 1986 to 1987 results from audit costs being included in fiscal 1986.

Issue 1: Legal Services

The Board of Public Education is requesting authority in the 1987 biennium to hire 1 FTE lawyer (grade 15, step 2) at a personal services cost of \$27,200 in fiscal 1986 and \$27,212 in fiscal 1987. Adding the FTE will increase operating and equipment expenditures by \$1,505 in fiscal 1986 and \$420 in fiscal 1987. The board indicated the lawyer is to research legal ramifications of board policies and decisions.

The board in fiscal 1984 used \$2,101 out of the one-time appropriation of \$2,550 to contract with the Legal Services Division of the Department of Justice. The board contracted for approximately 50 hours at an hourly rate of \$42.50.

The board indicated that a minimum of 60 hours at \$42.50 per hour will be required for legal services in the 1987 biennium--\$2,550 in fiscal 1986 and \$2,550 in fiscal 1987. If only 60 hours of legal services is needed, a full-time lawyer is not justified. The difference in the cost of hiring a grade 15 lawyer or contracting for 60 hours of legal services in the 1987 biennium is presented in the following table.

Table 1
Difference in Cost of Hiring a Lawyer or Contracting for Legal Services
1987 Biennium

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Hire 1 FTE Lawyer	\$28,705	\$27,632
Contracted Legal Services	<u>2,550</u>	<u>2,550</u>
Difference	<u>\$26,155</u>	<u>\$25,082</u>

Option 1: Authorize the board to hire 1 FTE lawyer at a general fund cost of \$28,705 in fiscal 1986 and \$27,632 in fiscal 1987.

Option 2: Increase contracted services by \$2,550 in fiscal 1986 and \$2,550 in fiscal 1987 to allow the board to continue to contract for legal services.

Option 3: Do not add this item to the budget.

FIRE SERVICES TRAINING SCHOOL

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	7.0	\$559,531	\$559,531
LFA Current Level	<u>6.0</u>	<u>468,229</u>	<u>468,229</u>
Executive Over (Under) LFA	<u>1.0</u>	<u>\$ 91,302</u>	<u>\$ 91,302</u>

The executive budget exceeds the current level by \$91,302 in general fund in the 1987 biennium. The following issues reflect the major differences between the executive budget and current level.

Issue 1: Vacancy Savings

The executive budget applied 4 percent vacancy savings to personal services. Vacancy savings was not applied in the current level analysis. Therefore, the executive budget is lower than the current level analysis in personal services by \$7,145 in fiscal 1986 and \$7,164 in fiscal 1987.

Issue 2: Equipment

The executive budget provided \$11,500 for the purchase of a station wagon to replace a vehicle being used in Miles City. The current level analysis does not include funding for the station wagon as sufficient justification was not included in the budget.

MODIFIED REQUESTS

Issue 3: Secretary (1 FTE)

The school requested funding to hire a secretary. The executive budget includes funding for the secretary less 4 percent vacancy savings at a personal services cost of \$15,474 in fiscal 1986 and \$15,481 in fiscal 1987. The current level analysis does not include funding for the secretary.

Issue 4: Public Fire Safety Education

The executive budget includes an additional \$15,456 each year in operating expenses to contract with individuals to provide assistance to local communities in developing fire safety education programs. The current level analysis does not provide any additional funding for fire safety education.

Issue 5: Contract Services

The school requested an increase in contract services for additional instructors (equivalent of .14 FTE in each year) to reach more local fire departments. The executive budget funded the request at a general fund cost of \$8,281 in each year of the 1987 biennium. The current level analysis does not provide funding for the additional instructors.

FIRE SERVICES TRAINING SCHOOL

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	6.00	6.00	6.00	6.00	0.00
Personal Service	\$149,139	\$163,766	\$178,624	\$179,110	14.3
Operating Expense	56,674	47,911	47,218	47,218	(9.7)
Equipment	13,579	5,000	4,700	4,000	(53.1)
Inflation	-0-	-0-	2,688	4,671	--
Total Expenditures	<u>\$219,392</u>	<u>\$216,677</u>	<u>\$233,230</u>	<u>\$234,999</u>	<u>7.3</u>
Fund Sources					
General Fund	\$218,898	\$216,677	\$233,230	\$234,999	7.4
Federal Revenue	<u>494</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>--</u>
Total Funds	<u>\$219,392</u>	<u>\$216,677</u>	<u>\$233,230</u>	<u>\$234,999</u>	<u>7.3</u>

The Fire Services Training School, located in Great Falls, is supervised by the Board of Public Education. The purpose of the school is to provide firefighting instruction to Montana's 9,000 paid and volunteer firefighters and to provide public education programs to promote fire safety and prevention.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	6.00	6.00	0.00
Personal Services	\$163,995	\$149,139	\$14,856
Operating Expenses	47,590	56,495	(8,905)
Equipment	<u>14,898</u>	<u>13,264</u>	<u>1,634</u>
Total Expenditures	<u>\$226,483</u>	<u>\$218,898</u>	<u>\$ 7,585</u>
Funding			
General Fund	<u>\$226,483</u>	<u>\$218,898</u>	<u>\$ 7,585</u>
Additions:			
Budget Amendments	-0-	\$ 494	\$ (494)

As indicated in the table, the Fire Services Training School did not utilize \$7,585 of their fiscal 1984 appropriation. According to House Bill 902,

unexpended appropriation balances in fiscal 1984 can be transferred into fiscal 1985 to be used in funding pay increases. The difference in personal services of \$14,856 represents vacancy savings. The school transferred savings in personal services to spend more in operating expenses--primarily in contracted services, supplies, and travel.

In fiscal 1984, the school received a donation of \$500 from Burlington Northern Railroad. The school used \$494 of the donation to purchase a video tape on hazardous materials and some office supplies.

Current Level Adjustments

Personal services expenditures increase by 14.3 percent from the 1985 to the 1987 biennium. The increase results from (1) vacancy savings of \$14,856 in fiscal 1984 and (2) the budgeted amount for fiscal 1985 did not include funding for pay increases.

Fiscal 1984 operating expenses (several items) were reduced \$8,977 before applying inflation to fiscal 1986 and 1987. The reduction was made as the school transferred savings from the personal services budget to operating expenses in fiscal 1984. The school is requesting full funding of personal services in the 1987 biennium, but not a commensurate reduction to operating expenses. This would result in an expansion in the school's budget over current level. Additionally budget amended expenditures of \$494 were removed from the budget.

The equipment budget in fiscal 1986 allows for the purchase of miscellaneous office equipment, such as, file cabinets, book cases, tables, and portable room dividers, at a cost of \$4,700. In fiscal 1987, the equipment budget allows for the purchase of computer equipment at a cost of \$4,000 to be used in automating manual files.

SCHOOL FOR THE DEAF AND BLIND

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	88.28	\$5,530,424	\$6,509,416
LFA Current Level	<u>85.36</u>	<u>5,358,155</u>	<u>6,301,157</u>
Executive Over (Under) LFA	<u><u>2.92</u></u>	<u><u>\$ 172,269</u></u>	<u><u>\$ 208,259</u></u>

The executive budget exceeds the LFA current level budget in general fund and total funds in the 1987 biennium by \$172,269 and \$208,259, respectively. The following issues reflect the major differences between the executive budget and the LFA current level budget.

GENERAL SERVICES

Issue 1: Inflation

The executive budget does not allow for inflation in most budget items which resulted in the LFA current level budget exceeding the executive budget in operating expenses by over \$40,000 and general fund by \$23,151 in the 1987 biennium.

STUDENT SERVICES

Issue 2: Inflation

The executive budget does not allow for inflation in most budget items which resulted in the LFA current level budget exceeding the executive budget in operating expenses and general fund by \$15,304 in the 1987 biennium.

EDUCATION

Issue 3: Equipment

The executive budget provided \$61,000 in the 1987 biennium for replacement of phonic ear classroom amplification units and \$7,000 for the replacement of text books. The LFA current level budget does not provide funding for the phonic ear system and textbooks.

Issue 4: Modified Request (2.19 FTE)

The executive budget funded an agency request for two additional teachers and a half-time speech therapist at a general fund cost of \$115,845 in the 1987 biennium. The new positions are requested based upon a school projected

increase in student enrollment of ten students in each year of the 1987 biennium. The LFA current level budget does not provide funding for the requested positions.

AUDIOLOGY

Issue 5: Contract Services

The executive budget exceeds the LFA current level budget in contract services and general fund by \$30,000 in the 1987 biennium. The executive funded the Audiology Program based upon the projected cost of the fiscal 1985 contract with providers. The LFA current level applied inflation to actual fiscal 1984 expenditures to derive the budgeted amount for contract services in fiscal 1986 and 1987.

Issue 6: Modified Request (.73 FTE)

The executive budget funded a request by the school for a .73 FTE program coordinator at a general fund cost of \$38,615 in the 1987 biennium. The program coordinator would draft contracts, provide technical assistance to providers, conduct on-site program monitoring, and recommend budget adjustments. The LFA current level budget does not provide funding for the program coordinator.

SCHOOL FOR THE DEAF AND BLIND

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	85.36	85.36	85.36	85.36	0.00
Personal Service	\$1,889,597	\$1,832,493	\$1,903,143	\$1,904,113	2.2
Operating Expense	911,722	1,414,839	1,120,360	1,103,161	(4.4)
Equipment	13,969	4,004	12,945	1,710	(18.4)
Inflation	-0-	-0-	97,681	158,044	--
Total Expenditures	<u>\$2,815,288</u>	<u>\$3,251,336</u>	<u>\$3,134,129</u>	<u>\$3,167,028</u>	<u>3.8</u>
Fund Sources					
General Fund	\$2,397,856	\$2,862,040	\$2,652,627	\$2,705,528	1.8
Federal Revenue	<u>417,432</u>	<u>389,296</u>	<u>481,502</u>	<u>461,500</u>	<u>16.8</u>
Total Funds	<u>\$2,815,288</u>	<u>\$3,251,336</u>	<u>\$3,134,129</u>	<u>\$3,167,028</u>	<u>3.8</u>

Montana State School for the Deaf and Blind is a school for children whose hearing and/or vision is sufficiently impaired that they are unable to receive an education in the public schools. Approximately 325 children, ranging in age from infancy to 18, are served by the school. Of these, approximately two-thirds are serviced by the school's Outreach and Itinerant Program. This program serves hearing impaired and visually impaired children in their local community and through local schools. The remaining one-third are served from the Great Falls campus. Seventy-five to 80 students reside on campus during the school year.

The budget for the Montana School for the Deaf and Blind funds the following programs: (1) Administration; (2) General Services; (3) Student Services; (4) Education; and (5) Audiological Services. The 1983 legislature transferred the Audiological Services Program from the Office of Public Instruction to the School for the Deaf and Blind in the 1985 biennium. Funding support for the school is provided from the general fund, interest income from school trust lands, federal Chapter 1 funds available under the Education Consolidation Improvement Act of 1981, and federal school food funds. The school also receives donated funds which are used for student activities such as field trips and parties. The school spent \$16,903 of donated funds in fiscal 1984. These funds are administered by a non-profit foundation created by the Board of Public Education. Pursuant to an Attorney General's Opinion, these funds are not appropriated by the legislature.

Total expenditures increase by 3.8 percent. The decrease in operating expenses from fiscal 1986 to 1987 results from audit costs of \$17,500 being included in fiscal 1986.

ADMINISTRATION PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	5.25	5.25	5.25	5.25	0.00
Personal Service	\$131,152	\$129,679	\$134,611	\$134,668	3.2
Operating Expense	32,058	33,875	54,881	37,381	39.9
Equipment	1,181	989	-0-	-0-	(100.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>1,925</u>	<u>3,099</u>	<u>--</u>
Total Expenditures	<u>\$164,391</u>	<u>\$164,543</u>	<u>\$191,417</u>	<u>\$175,148</u>	<u>11.4</u>
<u>Fund Sources</u>					
General Fund	<u>\$164,391</u>	<u>\$164,543</u>	<u>\$191,417</u>	<u>\$175,148</u>	<u>11.4</u>

The Administration Program is responsible for the centralized administrative functions for the school, including accounting, budgeting, personnel, and purchasing. The Administration Program is funded by general fund and employs 5.25 FTE.

Fiscal 1984: Actual Expenditures Compared to the Appropriation

The following table presents a comparison of actual expenditures to those anticipated by the 1983 legislature in the appropriation. As indicated in the table, \$13,622 of the fiscal 1984 appropriation was not utilized. According to House Bill 902, unspent appropriation balances can be transferred into fiscal 1985 to be used in funding pay increases. The difference in personal services of \$1,276 occurs as the budgeted amount of \$129,876 did not include funding for pay increases. The savings in operating expenses occurs primarily in contracted services as audit costs were not paid in fiscal 1984. The fiscal 1984 appropriation included \$15,000 for audit costs.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	5.25	5.25	0.00
Personal Services	\$129,876	\$131,152	\$(1,276)
Operating Expenses	45,637	32,058	13,579
Equipment	2,500	1,181	1,319
Total Costs	<u>\$178,013</u>	<u>\$164,391</u>	<u>\$13,622</u>
<u>Funding</u>			
General Fund	<u>\$178,013</u>	<u>\$164,391</u>	<u>\$13,622</u>

Current Level Adjustments

Operating expenses increase above current level as a result of the following adjustments: (1) communications expenditures were increased by \$5,375 for the school's new telephone system; and (2) audit costs of \$17,500 are included in fiscal 1986. The decrease in operating expenses from fiscal 1986 to 1987 results from audit costs being included in fiscal 1986.

GENERAL SERVICES PROGRAM

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u> <u>1985-87</u> <u>Biennium</u>
	<u>Fiscal</u> <u>1984</u>	<u>Fiscal</u> <u>1985</u>	<u>Fiscal</u> <u>1986</u>	<u>Fiscal</u> <u>1987</u>	
F.T.E.	6.50	6.50	6.50	6.50	0.00
Personal Service	\$121,118	\$120,067	\$118,445	\$118,684	(1.6)
Operating Expense	163,123	177,115	172,091	172,392	1.2
Equipment	430	2,250	3,500	-0-	30.5
Inflation	-0-	-0-	19,074	30,210	--
Total Expenditures	<u>\$284,671</u>	<u>\$299,432</u>	<u>\$313,110</u>	<u>\$321,286</u>	<u>8.6</u>
<u>Fund Sources</u>					
General Fund	<u>\$284,671</u>	<u>\$299,432</u>	<u>\$313,110</u>	<u>\$321,286</u>	<u>8.6</u>

The General Services Program is responsible for the maintenance and operation of the school's facilities and grounds. General fund is the sole funding source. Six and one-half FTE are employed in this program.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table presents a comparison of actual expenditures to those anticipated by the 1983 legislature in the appropriation. As indicated in the table,

\$14,311 of the fiscal 1984 appropriation was not utilized. According to House Bill 902, unspent fiscal 1984 appropriation balances can be transferred into fiscal 1985 to be used in funding pay increases. The difference in personal services results as the budgeted amount of \$120,247 did not include funding for pay increases. The difference in operating expenses of \$4,122 occurs primarily in repair and maintenance. The difference in equipment expenditures of \$11,060 results as the school did not purchase a vehicle (\$7,490) and a moveable irrigation system \$(4,000) as funded by the legislature. The school indicated the funds were used to pay salary increases in the Student Services Program in fiscal 1984.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	6.50	6.50	0.00
Personal Services	\$120,247	\$121,118	\$ (871)
Operating Expenses	167,245	163,123	4,122
Equipment	<u>11,490</u>	<u>430</u>	<u>11,060</u>
Total Costs	<u>\$298,982</u>	<u>\$284,671</u>	<u>\$14,311</u>
<u>Funding</u>			
General Fund	<u>\$298,982</u>	<u>\$284,671</u>	<u>\$14,311</u>

Current Level Adjustments

Personal services decrease by 1.6 percent from the 1985 to the 1987 biennium as 4 percent vacancy savings was applied in each year.

Operating expenses were increased by \$4,682 for maintenance of the heating and air conditioning system, two new cottages and gymnasium, and for miscellaneous equipment which will go off warranty in the 1987 biennium. The equipment budget allows for the purchase of commercial vacuums in fiscal 1986 for maintenance of two cottages (39,000 square feet) completed in the 1985 biennium.

STUDENT SERVICES PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	26.72	26.72	27.47	27.47	2.8
Personal Service	\$549,631	\$467,683	\$511,556	\$511,757	0.5
Operating Expense	111,214	115,944	111,307	111,307	(2.0)
Equipment	1,227	-0-	3,445	1,710	320.1
Inflation	-0-	-0-	9,566	15,564	--
Total Expenditures	<u>\$662,072</u>	<u>\$583,627</u>	<u>\$635,874</u>	<u>\$640,338</u>	<u>2.4</u>
Fund Sources					
General Fund	\$632,072	\$553,627	\$605,874	\$610,338	2.5
Federal Revenue	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0.0</u>
Total Funds	<u>\$662,072</u>	<u>\$583,627</u>	<u>\$635,874</u>	<u>\$640,338</u>	<u>2.4</u>

The Student Services Program is responsible for the care and custody of the children residing on the Great Falls campus. The activities include meal preparation, infirmary care, and dorm supervision. General fund and federal school food funds support the program. Federal school food funds are estimated at \$30,000 in each year of the 1987 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table presents a comparison of actual expenditures to those anticipated by the 1983 legislature in the appropriation. As indicated in the table, expenditures exceeded the budget established by the 1983 legislature by \$81,792. The school transferred \$100,300 from the Administration Program, General Services Program, and Education Program to the Student Services Program to fund personal services pay increases in fiscal 1984. The difference in personal services results from (1) the budgeted amount of \$468,668 did not include funding for pay increases which accounts for approximately \$23,000, (2) the agency had 36 half-time or more people working in aggregate positions in fiscal 1984 versus 29 half-time or more in fiscal 1982 which required approximately \$7,500 in additional health insurance, (3) the school paid salaries and benefits higher than authorized by the state pay plan by approximately \$30,000, and (4) the school overexpended approximately \$20,000 for personal services that were not budgeted by the 1983 legislature from the Student Services Program.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	26.72	26.72	0.00
Personal Services	\$468,668	\$549,631	\$(80,963)
Operating Expenses	111,612	111,214	398
Equipment	<u>-0-</u>	<u>1,227</u>	<u>(1,227)</u>
Total Costs	<u>\$580,280</u>	<u>\$662,072</u>	<u>\$(81,792)</u>
<u>Funding</u>			
General Fund	\$550,280	\$632,072	\$(81,792)
Federal Revenue	<u>30,000</u>	<u>30,000</u>	<u>-0-</u>
Total Funds	<u>\$580,280</u>	<u>\$662,072</u>	<u>\$(81,792)</u>

Current Level Adjustments

The level of FTE increases by 2.8 percent, from the 1985 to the 1987 biennium as the school transferred a .75 FTE secretary from the Education Program to the Student Services Program. Personal services increase over the current level as the school upgraded 4.08 FTE cottage life attendants and 1 FTE professional in the 1985 biennium. The biennial cost increase in personal services excluding benefits from the upgrades is \$25,748.

The equipment budget allows for the purchase of a telephone communication system for the deaf at a cost of \$1,140 in fiscal 1986 and \$1,710 in fiscal 1987. This system would allow staff and students to communicate without having to go through an interpreter or meet face to face. The equipment budget in fiscal 1986 also provides for the purchase of one decoder at a cost of \$280 and three washer/dryer sets at a cost of \$2,025. The decoder will be hooked up to a television set to provide telecaptioning services. The washer/dryer sets will be used to relieve heavy use of present equipment according to the school.

EDUCATION PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	46.89	46.89	46.14	46.14	(1.6)
Personal Service	\$1,087,696	\$1,115,064	\$1,138,531	\$1,139,004	3.4
Operating Expense	109,896	148,840	108,755	108,755	(15.9)
Equipment	6,424	765	6,000	-0-	(16.5)
Inflation	-0-	-0-	8,764	14,284	--
Total Expenditures	<u>\$1,204,016</u>	<u>\$1,264,669</u>	<u>\$1,262,050</u>	<u>\$1,262,043</u>	<u>2.2</u>
Fund Sources					
General Fund	\$ 816,584	\$ 905,373	\$ 810,548	\$ 830,543	(4.7)
Federal Revenue	<u>387,432</u>	<u>359,296</u>	<u>451,502</u>	<u>431,500</u>	<u>18.2</u>
Total Funds	<u>\$1,204,016</u>	<u>\$1,264,669</u>	<u>\$1,262,050</u>	<u>\$1,262,043</u>	<u>2.2</u>

The Education Program is responsible for providing an adequate education to the school's resident children. In addition, the outreach and itinerant services are included in this program. Funding is provided from the general fund, interest and other income from school trust lands, and federal Chapter 1 funds. Income from school trust lands is estimated at \$250,002 in fiscal 1986 and \$230,000 in fiscal 1987. The fiscal 1986 amount includes an estimated fund balance carryover from fiscal 1985 of \$20,002. Federal Chapter 1 funding is estimated at \$201,500 in each year of the 1987 biennium. The school spent \$185,965 of Chapter 1 funds in fiscal 1984.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table presents a comparison of actual expenditures to those anticipated by the 1983 legislature in the appropriation. As indicated in the table, \$65,150 of the fiscal 1984 appropriation was not utilized. The school transferred the savings to the Student Services Program to fund salary increases. The difference in personal services represents vacancy savings. The savings in operating expenses occurred primarily in contracted services (\$7,042), supplies and materials (\$17,435), and travel (\$5,723). The school purchased from budget amended special education federal funds \$1,467 in equipment.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	46.89	46.89	0.00
Personal Services	\$1,117,483	\$1,087,696	\$29,787
Operating Expenses	142,473	109,896	32,577
Equipment	9,210	4,957	4,253
Total Costs	<u>\$1,269,166</u>	<u>\$1,202,549</u>	<u>\$66,617</u>
<u>Funding</u>			
General Fund	\$ 883,201	\$ 816,584	\$66,617
Federal Revenue	385,965	385,965	-0-
Total Funds	<u>\$1,269,166</u>	<u>\$1,202,549</u>	<u>\$66,617</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$1,467	\$(1,467)

Current Level Adjustments

Current level FTE decreases by 1.6 percent as .75 FTE was transferred to the Student Services Program. The equipment budget provides for the purchase of audiovisual equipment at a cost of \$6,000 in fiscal 1986.

AUDIOLOGICAL SERVICES PROGRAM

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1985-87</u>
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Biennium</u>
F.T.E.	N/A	N/A	N/A	N/A	N/A
Operating Expenses	\$500,138	\$939,065	\$673,326	\$673,326	(6.4)
Operating Inflation	-0-	-0-	58,352	94,887	--
Total Expenditures	<u>\$500,138</u>	<u>\$939,065</u>	<u>\$731,678</u>	<u>\$768,213</u>	<u>4.2</u>
<u>Fund Sources</u>					
General Fund	<u>\$500,138</u>	<u>\$939,065</u>	<u>\$731,678</u>	<u>\$768,213</u>	<u>4.2</u>

This program provides statewide audiological screening services for students in grades K, 1, 2, 3, 7 and 8. The school contracts out the services to Easter Seal and other organizations. The 1983 legislature provided a biennial general fund appropriation for these services. The legislature may want to appropriate funding on an annual basis as services provided are consistent from year to year.

Contract services were increased \$173,188 from fiscal 1984 to 1986. This amount represents costs attributable to services provided in fiscal 1984. The school was not billed for these services nor were the expenditures accrued. Therefore, the actual fiscal 1984 costs were understated.

OFFICE OF PUBLIC INSTRUCTION

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	134.10	\$4,602,709	\$10,846,454
LFA Current Level	<u>124.45</u>	<u>4,600,838</u>	<u>10,404,212</u>
Executive Over (Under) LFA	<u>9.65</u>	<u>\$ 1,871</u>	<u>\$ 442,242</u>

The executive budget exceeds the LFA current level in general fund and total funds by \$1,871 and \$442,242, respectively. The following issues describe the major differences between the executive budget and the current level.

VOCATIONAL EDUCATION

Issue 1: Personal Services

The executive deleted 1 FTE accounting technician supported from general fund at a personal services cost of \$37,000 in the biennium. The current level includes the accounting technician. The executive includes more for equipment which offsets the difference in general fund.

Issue 2: Decrease in Federal Funds

The executive exceeds the current level in federal vocational education funds by \$183,000 in each year of the 1987 biennium. The current level estimates a decrease in federal vocational education funds of 61 percent from the 1985 biennium. The LFA deleted 5.25 FTE as a result of the decrease in federal funds. OPI's request for general fund replacement is presented as an issue in the current level analysis.

SPECIAL SERVICES

Issue 3: Decrease in Federal Chapter II Funds

Federal Chapter II funds support functions in both the Administration and Special Services Programs. OPI estimates a decrease in Chapter II funds from the 1985 biennium of 6 percent and has budgeted all of the decrease from the Special Services Program. OPI requested general fund replacement of the decrease in Chapter II funds.

The executive budget increased federal spending authority by \$274,000 in the 1987 biennium and does not include general fund replacement for federal Chapter II funds. The current level used OPI's estimates of federal Chapter II

funds and deleted 5.40 federally supported FTE at a savings in personal services of \$286,000 in the 1987 biennium. OPI's request for general fund replacement is presented as an issue in the current level analysis.

OFFICE OF PUBLIC INSTRUCTION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	136.10	136.10	124.45	124.45	(8.6)
Personal Service	\$3,305,193	\$3,468,420	\$3,268,323	\$3,273,937	(3.4)
Operating Expense	1,335,438	1,560,709	1,364,349	1,294,867	(8.1)
Equipment	111,974	75,465	28,994	29,444	(68.8)
Inflation	-0-	-0-	77,339	134,768	--
Total Operating Costs	\$4,752,605	\$5,104,594	\$4,739,005	\$4,733,016	(3.9)
Non-Operating Costs	411,656	453,088	465,809	466,382	7.7
Total Expenditures	<u>\$5,164,261</u>	<u>\$5,557,682</u>	<u>\$5,204,814</u>	<u>\$5,199,398</u>	<u>(2.9)</u>
<u>Fund Sources</u>					
General Fund	\$2,214,690	\$2,307,847	\$2,299,808	\$2,301,030	1.7
State Special Fund	680,064	762,992	782,309	782,802	8.4
Federal Revenue	<u>2,269,507</u>	<u>2,486,843</u>	<u>2,122,697</u>	<u>2,115,566</u>	<u>(10.8)</u>
Total Funds	<u>\$5,164,261</u>	<u>\$5,557,682</u>	<u>\$5,204,814</u>	<u>\$5,199,398</u>	<u>(2.9)</u>

The Office of Public Instruction (OPI) is the state education agency which provides general supervision of the public primary and secondary schools and postsecondary vocational technical centers in Montana. OPI administers federal and state regulations applicable to the local school districts, provides technical and curriculum assistance, monitors federal programs and expenditures, provides state leadership to local districts, and disburses state funds to local school districts in the area of special education, transportation, and others. The Superintendent of Public Instruction is an elected official and serves a four-year term.

The budget provides funding for five programs: Chief State School Officer, Basic Skills, Vocational Education, Administrative Services, and Special Services. State administration functions are supported by several sources of revenue including state general fund, several sources of federal funds, and state special funds.

The decrease in FTE of 8.6 percent results primarily from a deduction in federal vocational education funds in the Vocational Education Program and federal Chapter II funds in the Special Services Program. This resulted in the deletion of 5.75 FTE in the Vocational Education Program and 5.40 FTE in the Special Services Program. The decreases in personal services of 3.4 percent and total

expenditures of 2.9 percent result primarily from the removal of the FTE from the budget. The decrease in federal revenues of 10.8 percent results from the decrease in federal vocational education and Chapter II funds.

On an agency-wide basis, 17 positions were upgraded and four downgraded by OPI in the 1985 biennium. The net increase in the cost of personal services excluding benefits resulting from the upgrades was \$41,014 in the 1985 biennium.

CHIEF STATE SCHOOL OFFICER

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	2.00	2.00	2.00	2.00	0.0
Personal Service	\$ 72,007	\$ 68,556	\$ 72,205	\$ 72,235	2.7
Operating Expense	83,537	52,459	67,357	57,698	(8.0)
Equipment	-0-	1,465	-0-	-0-	0.00
Inflation	-0-	-0-	2,359	3,916	--
Total Expenditures	<u>\$155,544</u>	<u>\$122,480</u>	<u>\$141,921</u>	<u>\$133,849</u>	<u>(0.8)</u>
Fund Sources					
General Fund	\$124,934	\$107,480	\$112,797	\$114,724	(2.1)
Federal Revenue	<u>30,610</u>	<u>15,000</u>	<u>29,124</u>	<u>19,125</u>	<u>6.0</u>
Total Funds	<u>\$155,544</u>	<u>\$122,480</u>	<u>\$141,921</u>	<u>\$133,849</u>	<u>(0.8)</u>

This program consists of the superintendent and his assistant. Also included in this program are revenues and expenditures associated with the sale of school law books. The budget includes \$29,124 in fiscal 1986 and \$19,125 in fiscal 1987 for the printing and sale of school laws.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation.

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. As indicated in the table, actual fiscal 1984 expenditures were \$11,916 less than authorized by the legislature. According to House Bill 902, unexpended appropriation balances in fiscal 1984 can be transferred into fiscal 1985 to be used in funding pay increases. The difference in operating expenses results as OPI spent \$6,872 for audit costs out of a \$42,000 appropriation. The balance of \$35,128 of the appropriation will be spent in fiscal 1985 for completion of the audit. Increased expenditures for contract services reduced the difference in operating expenses.

OPI spent \$11,687 of school law book revolving funds for increased printing and distribution costs in fiscal 1984. These expenditures were added by budget amendment.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	2.0	2.0	0.00
Personal Services	\$ 68,710	\$ 72,007	\$ (3,297)
Operating Expenses	97,285	71,850	25,435
Equipment	1,465	-0-	1,465
Total Expenditures	<u>\$167,460</u>	<u>\$143,857</u>	<u>\$ 23,603</u>
<u>Funding</u>			
General Fund	\$147,460	\$124,934	\$ 22,526
Federal	20,000	18,923	1,077
Total Funds	<u>\$167,460</u>	<u>\$143,857</u>	<u>\$ 23,603</u>
<u>Budget Additions</u>			
Federal Revenue	-0-	\$ 11,687	\$(11,687)

Current Level Adjustments

Operating expenses decrease by 8 percent. The decrease results from audit costs being budgeted from the Administrative Services Program in the 1987 biennium. In fiscal 1984, \$6,872 was spent from the Chief State School Officer Program for audit costs. Expenditures for contract consulting and professional services were reduced by 54 percent--from \$13,894 in fiscal 1984 to \$6,426 in fiscal 1986 and \$6,844 in fiscal 1987. The amount budgeted for consulting and professional services in the 1987 biennium represents a three year average of expenditures (fiscal 1981 to 1983) inflated to fiscal 1986 and 1987. The amount spent in fiscal 1984 was an increase of 265 percent over the fiscal 1983 expenditure. The decrease in operating expenses from fiscal 1986 to 1987 results from a decrease in printing costs for publication of school law books.

BASIC SKILLS

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	40.00	40.50	35.80	35.80	(9.1)
Personal Service	\$ 885,537	\$1,030,713	\$ 890,895	\$ 893,046	(6.9)
Operating Expense	258,219	238,361	238,637	238,368	(3.9)
Equipment	40,231	55,000	27,228	27,228	(42.8)
Inflation	-0-	-0-	18,204	30,202	--
Total Operating Costs	\$1,183,987	\$1,324,074	\$1,174,964	\$1,188,844	(5.7)
Non-Operating Costs	41,865	44,642	70,539	70,808	54.9
Total Expenditures	<u>\$1,225,852</u>	<u>\$1,368,716</u>	<u>\$1,245,503</u>	<u>\$1,259,652</u>	<u>(3.4)</u>
Fund Sources					
General Fund	\$ 869,350	\$ 915,274	\$ 862,810	\$ 875,614	(2.5)
State Special	211,757	257,691	267,000	267,000	13.7
Federal Revenue	144,745	195,751	115,693	117,038	(31.6)
Total Funds	<u>\$1,225,852</u>	<u>\$1,368,716</u>	<u>\$1,245,503</u>	<u>\$1,259,652</u>	<u>(3.4)</u>

The Basic Skills Program provides services to local school districts in the areas of basic skill instruction, teacher certification, audio-visual library materials, and traffic safety education. Funding support for basic instruction services is provided from the state general fund. Earmarked revenues (i.e., traffic fines, bonds) support the Traffic Safety Program. The audio-visual library is supported by a revolving account (\$170,000 in each year) and general fund is provided for the purchase of films. Federal funds support the Veteran's Education (\$50,000 in each year) and Indian Education (\$20,000 in each year) Programs. The 1983 legislature allowed OPI to use \$20,000 general fund in each year of the 1985 biennium to supplant federal funds in the Indian Education Program. General fund support for the Indian Education Program is maintained at \$20,000 in each year of the 1987 biennium. In fiscal 1985, OPI transferred adult basic education to the Vocational Education Program. Nine positions were upgraded and two positions downgraded by OPI in the 1985 biennium. The net increase in the cost of personal services excluding benefits from the upgraded positions was \$16,408 in the 1985 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to

allocations as anticipated by the 1983 legislature. As indicated in the table, OPI did not utilize \$133,735 of the fiscal 1984 appropriation. According to House Bill 902, unspent fiscal 1984 appropriation balances can be transferred into fiscal 1985 to be used in funding pay increases. The difference in personal services represents vacancy savings. The difference in operating expenses occurs primarily in supplies and materials (\$3,400), travel (\$4,800), and repair and maintenance (\$10,000). The balance of the difference in operating expenses is distributed through several items.

Budget Item	Legislature	Actual	Difference
F.T.E.	40.50	40.00	.50
Personal Service	\$1,030,114	\$ 885,537	\$144,577
Operating Expenses	234,435	258,219	(23,784)
Equipment	51,000	40,231	10,769
Total Operating Costs	\$1,315,549	\$1,183,987	131,562
Non-Operating Costs	44,038	41,865	2,173
Total Expenditures	<u>\$1,359,587</u>	<u>\$1,225,852</u>	<u>\$133,735</u>
<u>Funding</u>			
General Fund	\$ 910,443	\$ 869,350	\$ 41,093
State Special	253,378	211,757	41,621
Federal Revenue	195,766	144,745	51,021
Total Funds	<u>\$1,359,587</u>	<u>\$1,225,852</u>	<u>\$133,735</u>

Current Level Adjustments

The decrease in FTE of 9.1 percent, personal services of 6.9 percent, and total expenditures of 3.4 percent results primarily from the transfer of Adult Basic Education to the Vocational Education Program. OPI transferred 1.08 FTE with Adult Basic Education.

OPI requested 36.80 FTE for this program in the 1987 biennium. In the current level analysis, a secretarial position was transferred to the Administrative Services Program. The 1983 legislature funded the position from the indirect cost function. OPI requested the position in the Basic Skills Program where the salary was budgeted entirely from the general fund in the 1987 biennium.

Operating expenses decrease by 3.9 percent from the 1985 to 1987 biennium as a result of the transfer discussed above. Additionally, contract services were reduced \$2,100 for a one-time expenditure related to setting up a word processing

center in the Basic Skills Program. The equipment budget provides for the purchase of new and replacement films for the audio-visual library.

The current level analysis includes audio-visual service income of \$170,000 in each year. this level of funding is sufficient to fund both program and indirect costs, but would require an increase in service fees of approximately 21 percent. The Office of Public Instruction requested \$140,000 in each year to support the program, but asked that indirect costs not be charged. The audio visual library was not assessed indirect costs in fiscal 1984. The 1983 legislature budgeted the audio-visual library to pay \$23,786 in indirect costs in the 1985 biennium. To the extent indirect costs are not collected from the audio-visual library additional general fund will be requested to supplement indirect cost pool expenditures.

VOCATIONAL EDUCATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	19.44	18.25	15.90	15.90	(15.6)
Personal Service	\$520,878	\$498,654	\$432,696	\$433,333	(15.0)
Operating Expense	113,761	128,004	137,167	134,006	12.1
Equipment	3,183	1,000	470	470	(77.5)
Inflation	-0-	-0-	6,990	11,858	--
Total Operating Costs	\$637,822	\$627,658	\$577,323	\$579,667	(8.5)
Non-Operating Costs	81,602	84,346	59,086	59,099	(28.7)
Total Expenditures	<u>\$719,424</u>	<u>\$712,004</u>	<u>\$636,409</u>	<u>\$638,766</u>	<u>(10.9)</u>
Fund Sources					
General Fund	\$320,410	\$329,616	\$340,981	\$343,269	5.2
Federal Revenue	<u>399,014</u>	<u>382,388</u>	<u>295,428</u>	<u>295,497</u>	<u>(24.3)</u>
Total Funds	<u>\$719,424</u>	<u>\$712,004</u>	<u>\$636,409</u>	<u>\$638,766</u>	<u>(10.9)</u>
ISSUE: Cost (Savings)					
	-----Fiscal 1986-----		-----Fiscal 1987-----		
	General Fund	Other Funds	General Fund	Other Funds	
1. Federal Vocational Education Funds	\$176,096	-0-	\$176,547	-0-	

The function of this program is to administer federal vocational education funds in primarily five areas: (1) Handicapped; (2) Disadvantaged; (3) Adult Education; (4) Consumer and Homemaking; and (5) Sex Bias and Stereotyping.

Also included in this program, is the Adult Basic Education Program (ABE) which was transferred from the Basic Skills Program in fiscal 1985.

Funding

Funding is provided from the general fund and federal vocational, adult basic education and job training funds. Federal vocational education funds are estimated at \$200,420 in each year of the 1987 biennium. Federal Adult Basic Education funds are estimated by OPI at \$50,008 in fiscal 1986 and \$50,077 in fiscal 1987. The budget includes a 10 percent required state match (\$5,000 in general fund in 1986 and \$5,007 in 1987) to the federal adult basic education funds. Federal job training partnership funds are included in the budget at \$45,000 in each year of the 1987 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. OPI transferred additional federal spending authority from the Special Services Program which caused the \$11,540 difference in total expenditures and funding. The difference in personal services represents vacancy savings. The difference in operating expenses occurs primarily in travel (\$10,155), communications (\$9,117), and contract services (\$8,323). The balance of the difference in operating expense is distributed through several items.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	18.25	19.44	(1.19)
Personal Service	\$540,393	\$520,878	\$ 19,515
Operating Expenses	82,145	113,761	(31,616)
Equipment	1,000	3,183	(2,183)
Total Operating Costs	\$623,538	\$637,822	\$(14,284)
Non-Operating Costs	84,346	81,602	2,744
Total Expenditures	<u>\$707,884</u>	<u>\$719,424</u>	<u>\$(11,540)</u>
<u>Funding</u>			
General Fund	\$325,496	\$320,410	\$ 5,086
Federal Revenue	382,388	399,014	(16,626)
Total Funds	<u>\$707,884</u>	<u>\$719,424</u>	<u>\$(11,540)</u>

Current Level Adjustments

OPI requested funding for 20.15 FTE in each year of the biennium. Additionally, a secretarial position was transferred in the current level analysis from the Chief State School Officer Program to the Vocational Education Program bringing the total FTE to 21.15. The secretarial position was budgeted by the 1983 legislature from the Vocational Education Program where the salary was paid from federal funds. OPI requested that the position be budgeted from the Chief State School Officer Program where the salary would be paid entirely from the general fund. From the total budgeted 21.15 FTE, 5.25 FTE were deleted resulting in a decrease in FTE of 15.6 percent and in personal services of 15 percent. The positions were deleted as federal vocational education funds which supported the positions decreased. The increase in operating expenses results from the transfer of adult basic education. The equipment budget allows for the purchase of specialty films in each year of the 1987 biennium.

Issue 1: Federal Vocational Education Funds

The Carl Perkins Vocational Education Act of 1984 limited the amount of federal vocational education funds that can be used for administration to 7 percent. The 7 percent limitation in the new law limited the amount of federal funding available for administration to \$161,933 in each year of the 1985 biennium. Each state may use additional federal funds for administration if the amount spent for development of its state vocational education plan exceeds 1 percent of the state Title II allocation. Based upon this formula, Montana may spend an additional \$38,487 of its federal vocational education allocation each year bringing total federal funding to \$200,420 in each year of the 1987 biennium. This level of funding represents a decrease from the 1985 biennium of 61 percent. The reduced level of federal funding results in 5.25 FTE being deleted from the budget at a savings in personal services including benefits and health insurance of \$176,096 in fiscal 1986 and \$176,547 in fiscal 1987. OPI is requesting that the general fund support these positions in the 1987 biennium.

Option a: Replace the decrease in federal vocational education funds with general fund to support the 5.25 FTE. This will increase the cost to the general fund by \$176,096 in fiscal 1986 and \$176,547 in fiscal 1987.

Option b: Do not replace the decrease in federal vocational education funds with general fund.

ADMINISTRATIVE SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	50.55	50.60	50.05	50.05	1.0
Personal Service	\$1,200,562	\$1,211,919	\$1,269,927	\$1,271,997	5.3
Operating Expense	516,175	601,794	573,560	531,621	(1.1)
Equipment	22,801	17,000	150	600	(98.1)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>26,731</u>	<u>50,340</u>	<u>--</u>
Total Operating Costs	\$1,739,538	\$1,830,713	\$1,870,368	\$1,854,558	4.3
Non-Operating Costs	<u>113,855</u>	<u>122,654</u>	<u>126,986</u>	<u>126,986</u>	<u>7.3</u>
Total Expenditures	<u>\$1,853,393</u>	<u>\$1,953,367</u>	<u>\$1,997,354</u>	<u>\$1,981,544</u>	<u>4.5</u>
<u>Fund Sources</u>					
General Fund	\$ 771,413	\$ 813,330	\$ 847,116	\$ 830,813	5.8
State Special	468,307	505,301	515,309	515,802	5.9
Federal Revenue	<u>613,673</u>	<u>634,736</u>	<u>634,929</u>	<u>634,929</u>	<u>1.7</u>
Total Funds	<u>\$1,853,393</u>	<u>\$1,953,367</u>	<u>\$1,997,354</u>	<u>\$1,981,544</u>	<u>4.5</u>

The Administrative Services Program is responsible for accounting, budgeting, personnel, public information, program planning and evaluation, legal services, financial aid distribution, and school food services. Funding is provided from the general fund. Federal school food funds are budgeted at \$290,000 in each year of the 1987 biennium. Federal Chapter II funds are included in the budget at \$344,929 in each year of the 1987 biennium. Chapter II funds support data processing services, career education, and support programs on the state and local level.

Indirect Cost Pool

The Office of Public Instruction assesses all non-general fund programs a fee to cover administrative expenditures related to payroll, personnel, and accounting services and office space. Table 1 presents expenditures and revenue related to indirect cost pool functions for the 1987 biennium.

Table 1
Indirect Cost Pool--Estimated Expenditures and Revenue
1987 Biennium

<u>Budget Item</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
FTE	13.00	13.00
Personal Services	\$318,751	\$319,221
Operating Expenses	231,925	231,925
Inflation	5,451	14,770
Total Expenditures	<u>\$556,127</u>	<u>\$565,916</u>
<u>Funding</u>		
General Fund	\$ 90,318	\$ 99,614
Indirect Cost Assessments	465,809	466,302
Total Funds	<u>\$556,127</u>	<u>\$565,916</u>

Legal Expenses

OPI provides legal assistance to local school districts on teacher contract negotiations, teacher certification denials or revocations, and other issues. The following table presents total budgeted expenditures and funding for staff and contract legal services for the 1987 biennium. OPI spent \$80,147 for staff and contract legal services in fiscal 1984. Legal services expenditures increase over the current level as OPI has budgeted in the 1987 biennium the staff lawyer's salary at an increase of 22 percent over what the position was paid in fiscal 1984 (excluding benefits).

Table 2
Budgeted Expenditures and Funding for Staff and Contract Legal Services
1987 Biennium

<u>Expenditures</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Staff*	\$73,337	\$74,285
Contract	19,222	20,183
Total Expenditures	<u>\$92,559</u>	<u>\$94,468</u>
<u>Funding</u>		
General Fund	<u>\$92,559</u>	<u>\$94,468</u>

*Personal services expenditures of \$59,166 in fiscal 1986 and \$59,406 in fiscal 1987 for 1.33 FTE and operating expenses of \$14,171 in fiscal 1986 and \$14,879 in fiscal 1987.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	50.55	50.55	0.05
Personal Service	\$1,194,059	\$1,200,562	\$(6,503)
Operating Expenses	572,390	516,175	56,215
Equipment	17,000	22,801	(5,801)
Total Operating Costs	\$1,783,449	\$1,739,538	\$43,911
Non-Operating Costs	117,069	113,855	3,214
Total Expenditures	<u>\$1,900,518</u>	<u>\$1,853,393</u>	<u>\$47,125</u>
<u>Funding</u>			
General Fund	\$ 799,017	\$ 771,413	\$27,604
State Special	493,897	468,307	25,590
Federal Revenue	607,604	613,673	(6,069)
Total Funds	<u>\$1,900,518</u>	<u>\$1,853,393</u>	<u>\$47,125</u>

As indicated in the table, \$47,125 of the fiscal 1984 appropriation was not utilized. The difference in operating expenses occurs primarily in supplies and materials (\$33,000). The balance of savings in operating expenses is distributed through several items.

Current Level Adjustments

OPI requested funding for 50.05 FTE in each year of the 1987 biennium. The LFA current level analysis transferred 1 FTE secretary from the Basic Skills Program and deleted one position which was vacant all of fiscal 1984. The vacant position was budgeted by the 1983 legislature from federal Chapter II funds. OPI requested the position be paid entirely from the general fund. The 1983 legislature budgeted the secretarial position from the indirect cost function where the salary was paid from primarily indirect cost assessments. OPI requested that the position be budgeted from the Basic Skills Program where the salary would be paid entirely from the general fund.

The increase in current level operating expenses results from the following adjustments: (1) Audit costs of \$33,600 are included in fiscal 1986; (2) Rent on the 1227-11th Avenue office building was increased from \$3,705 in fiscal 1984 to \$47,244 in each year of the 1987 biennium; (3) Utilities and janitorial expenses associated with the office building on 11th Avenue were increased \$14,250 in each year; and (4) Rent on the capitol office space was reduced by \$20,000 each year as OPI indicated rent expenditures in the 1987 biennium will be approximately 50 percent of the fiscal 1984 expenditure of \$40,000. Regarding items (2) and (3), OPI moved into their new location on June 11th of 1984. The 1983 legislature appropriated \$12,243 to OPI to be used for paying the Public Services Commission \$1,705 per month for each month the move was delayed after January 1, 1984. OPI expended \$3,705 of the appropriation for rent and \$8,538 for maintenance. Expenditures for maintenance were removed from the budget.

SPECIAL SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	24.11	24.75	20.70	20.70	(15.3)
Personal Service	\$ 626,209	\$ 658,578	\$ 602,600	\$ 603,326	(6.1)
Operating Expense	363,746	540,091	347,628	333,174	(28.1)
Equipment	45,759	1,000	1,146	1,146	(95.0)
Inflation	-0-	-0-	23,055	38,452	--
Total Operating Costs	\$1,035,714	\$1,199,669	\$ 974,429	\$ 976,098	(12.7)
Non-Operating Costs	174,334	201,446	209,198	209,489	11.4
Total Expenditures	<u>\$1,210,048</u>	<u>\$1,401,115</u>	<u>\$1,183,627</u>	<u>\$1,185,587</u>	<u>(9.2)</u>
<u>Fund Sources</u>					
General Fund	\$ 128,583	\$ 142,147	\$ 136,104	\$ 136,610	0.7
Federal Revenue	<u>1,081,465</u>	<u>1,258,968</u>	<u>1,047,523</u>	<u>1,048,977</u>	<u>(10.4)</u>
Total Funds	<u>\$1,210,048</u>	<u>\$1,401,115</u>	<u>\$1,183,627</u>	<u>\$1,185,587</u>	<u>(9.2)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Decrease in Federal Revenue	\$158,298	-0-	\$169,423	-0-

The Special Services Program is responsible for administering programs funded from federal Chapter II and special education funds. Chapter II funds are estimated by OPI at \$451,538 in fiscal 1986 and \$451,539 in fiscal 1987. The Special Services Program includes \$106,607 in Chapter II funds in fiscal 1986 and \$106,612 in fiscal 1987. The balance of Chapter II funds of \$689,858 in the 1987 biennium is budgeted for the Administrative Service Program. Federal Chapter I funds and grant awards for the National Diffusion Network, National Origins, Bilingual Education, and Handicapped Education total \$515,000 in each year of the 1987 biennium. Federal special education funds are included in the budget at \$425,916 in fiscal 1986 and \$427,365 in fiscal 1987.

OPI upgraded six positions and downgraded two in the 1985 biennium which resulted in a net increase in the cost of personal services excluding benefits of \$16,408.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. As indicated in the table,

\$226,112 of the fiscal 1984 appropriation was not utilized. The difference in personal services results from vacancy savings. The savings in operating expenses occurred primarily in contract services (\$47,511), supplies and materials (\$32,194), communications (\$29,970), and travel (\$3,132). The balance of savings in operating expenses is distributed through several items. OPI transferred a portion of the savings in operating expenses to purchase \$44,759 in computer equipment that was not budgeted by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	24.75	24.11	.64
Personal Service	\$ 660,511	\$ 626,209	\$ 34,302
Operating Expenses	575,820	363,746	212,074
Equipment	1,000	45,759	(44,759)
Total Operating Costs	\$1,237,331	\$1,035,714	\$201,617
Non-Operating Costs	198,839	174,334	24,505
Total Expenditures	<u>\$1,436,170</u>	<u>\$1,210,048</u>	<u>\$226,122</u>
<u>Funding</u>			
General Fund	\$ 141,083	\$ 128,583	\$ 12,500
Federal Revenue	1,295,087	1,081,465	213,622
Total Funds	<u>\$1,436,170</u>	<u>\$1,210,048</u>	<u>\$226,122</u>

Current Level Adjustments

The decrease in FTE of 15.3 percent, personal services of 6.1 percent and total expenditures of 9.2 percent results from 5.40 FTE being deleted from the budget as federal Chapter II funds which supported the positions decrease. The decrease in FTE is from the level requested by OPI of 26.10 FTE in each year of the 1987 biennium. Operating expenses were reduced by \$15,394 in fiscal 1986 and \$25,980 as a result of the decrease in Chapter II funds. The equipment budget provides for the purchase of specialty films in each year of the 1987 biennium.

Issue 1: Decrease in Federal Revenue

The level of federal Chapter II funding estimated by CPI for the 1987 biennium represents a decrease from the 1985 biennium of approximately 6 percent. In order to maintain current level services, general fund replacement of federal Chapter II funds of \$327,721 would be required in the 1987 biennium.

The following table presents the costs associated with the decrease in federal Chapter II funds.

Table 1
Costs Related to the Decrease in Federal Chapter II Funds
1987 Biennium

<u>Budget Item</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Personal Services	\$142,904	\$143,443
Operating Expenses	<u>15,394</u>	<u>25,980</u>
Total	<u>\$158,298</u>	<u>\$169,423</u>

Option a: Replace the decrease in federal Chapter II funds with general fund at a cost of \$158,298 in fiscal 1986 and \$169,423 in fiscal 1987.

Option b: Do not replace the decrease in federal Chapter II funds with general fund.

DISTRIBUTION TO PUBLIC SCHOOLS
- - - 1987 Biennium - - -

<u>Program</u>	<u>Executive Budget</u>	<u>LFA Current Level</u>	<u>Executive Over (Under) LFA</u>
Foundation and Permissive			
General Fund	\$ 26,614,000	\$ 54,630,000	\$(28,016,000)
State Special Revenues	264,314,000	262,070,000	2,244,000
Special Education	56,145,136	56,924,710	(779,574)
Special Education			
Contingency	1,020,000	1,000,000	20,000
Transportation	12,539,594	12,470,000	69,594
School Lunch	1,414,596	1,295,000	119,596
Gifted and Talented	200,000	200,000	--
Secondary Vocational			
Education	1,500,000	1,500,000	--
Adult Basic Education	307,555	304,497	3,058
Traffic Safety	2,291,470	2,100,000	191,470
	<u>\$366,346,351</u>	<u>\$392,494,207</u>	<u>\$(26,147,856)</u>
<u>Funding</u>			
General Fund	\$ 99,433,326	\$128,019,710	\$(28,586,384)
State Special Revenue	<u>266,913,025</u>	<u>264,474,497</u>	<u>2,438,528</u>
	<u>\$366,346,351</u>	<u>\$392,492,207</u>	<u>\$(26,147,856)</u>

The executive budget is under current level by \$28.6 million general fund and \$26.1 million total funds primarily because of foundation and permissive support of public schools. Current level is based upon 4 percent per year increases in public school schedules while the executive uses 2.4 percent and 3 percent in fiscal 1986 and 1987 respectively. The executive anticipates higher non-general fund revenues for public school support. The following table compares executive and current level funding calculations for foundation and permissive public school support.

Table 1
Executive--LFA Current Level Comparison Public School Funding
Excluding Special Education (x \$1,000,000)

	Executive Budget	LFA Current Level	Executive Over(Under) LFA Current Level
Expenses	\$569.80	\$580.20	\$(10.40)
Revenues			
45 Mill Levy	220.71	211.27	9.44
Other County Equalization	18.82	14.33	4.49
Income Tax	99.26	100.37	(1.11)
Corporation Tax	24.32	24.20	.12
Coal Tax	17.72	8.94	8.78
Interest and Income	81.47	85.30	(3.83)
Federal Mineral Leasing	26.92	28.30	(1.38)
Coal Trust Interest	14.64	14.96	(.32)
District Permissive	<u>39.33</u>	<u>37.90</u>	<u>1.43</u>
Total Non-General Fund Revenues	\$543.19	\$525.57	\$ 17.62
General Fund	<u>26.61</u>	<u>54.63</u>	<u>(28.02)</u>
Total Revenues	<u><u>\$569.80</u></u>	<u><u>\$580.20</u></u>	<u><u>\$(10.40)</u></u>

The executive estimates state taxable valuation higher than LFA in both years of the biennium with a resulting \$9.44 million difference in receipts from the 45 mill levy. The executive also projects over \$4.5 million additional revenue from county miscellaneous sources than found in current level.

A proposal to change the allocation of coal tax revenues by increasing those used for public school support from 5 percent to 8 3/4 percent generates an additional \$7.6 million for the executive. This proposal reduces funding for the coal board local impact grants from 8 3/4 percent to 5 percent.

The current level schedule increases of 4 percent per year generate \$10.4 million higher cost than the 2.4 percent and 3 percent schedule increases proposed by the executive. Because of the differences in estimated revenues, we believe the executive proposal would cost approximately \$11 million more than

their estimate. This assumes the legislature adopts the reallocation of coal tax revenues.

Special education funding under current level is \$779,574 higher as inflation adjustments applied were slightly higher than the 2 percent per year used by the executive.

School lunch expenditures are lower in the current level as amounts are based upon the minimum required match.

Though it is not illustrated in the table, the executive projects \$22.7 million general fund reversion in fiscal 1985 from public school foundation and permissive funding while the LFA projects the reversion to be \$14.6 million, \$8.1 million less.

Distributions to Public Schools

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
Foundation and Permissive ¹					
General Fund	\$ 12,260,000	\$ 16,670,000	\$ 25,330,000	\$ 29,300,000	88.8
State Special Funds	143,025,159 ²	119,180,000	126,790,000	135,280,000	(.1)
State Special Education	\$ 26,197,564	\$ 27,249,629	\$ 28,044,492	\$ 28,880,218	6.5
Special Education					
Contingency	410,826	500,000	500,000	500,000	9.8
Transportation	5,574,642	6,086,000	6,175,000	6,295,000	6.9
School Lunch	674,100	659,787	640,000	655,000	(2.9)
Gifted and Talented	93,475	106,525	100,000	100,000	0.0
Secondary Vocational					
Education	749,354	750,647	750,000	750,000	0.0
Adult Basic Education	136,672	149,270	148,535	155,962	6.5
Traffic Safety	1,169,236	1,050,000	1,050,000	1,050,000	(5.4)
Total	<u>\$190,291,028</u>	<u>\$172,401,858</u>	<u>\$189,528,027</u>	<u>\$202,966,180</u>	<u>8.2</u>

Fund Sources

General Fund	\$ 45,959,961	\$ 52,022,588	\$ 61,539,492	\$ 66,480,218	30.7
State Special Revenue	<u>144,331,067</u>	<u>120,379,270</u>	<u>127,988,535</u>	<u>136,485,962</u>	(.1)
Total Funds	\$190,291,028	\$172,401,858	\$189,528,027	\$202,966,180	<u>8.2</u>

¹Excluding Special Education.

²Includes county surplus which is listed in county funds in fiscal years 1985-87.

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
I. Public School Schedule Alternatives				
Option a: OPI 7% Schedule Increases	\$8,140,000	-0-	\$17,610,000	-0-
Option b: Executive 2.4% and 3% Schedule Increases	\$(3,930,000)	-0-	\$(6,470,000)	-0-

The distribution to Public School Program provides assistance to local public schools for the operation of educational programs and feeding and transportation of students.

Foundation and Permissive Excluding Special Education

Public School foundation and permissive funding assists school districts in providing education of students in kindergarten through high school. In 1985 the Foundation and Permissive Programs, often collectively referred to as the Founda-

tion Program, provided 67.3 percent of all public school districts' general fund budgets, including special education. The remainder of the districts' general fund budgets were financed from district voted property taxes, federal impact aid, interest, and other local revenues.

The total cost of the foundation program excluding special education is determined from an amount per average number belonging (ANB), which is designated by statutory schedules, and the number of ANB in each district. ANB is a measure of enrollment. Table 1 summarizes the actual and current level schedule changes.

Table 1
Percent Increases in Public School Funding Schedules

<u>Fiscal Year</u>	<u>Percent Increase in Statutory Schedules</u>
1980	8
1981	10
1982	18
1983	15
1984	4
1985	3
----- CURRENT LEVEL -----	
1986	4
1987	4

The current level projection is based upon applying to school district budgets the inflation factors applied to all state agencies. It reflects the increased cost of providing the same services on a per student basis. Salaries, which comprise 72 percent of school district general fund expenditures, were calculated to increase in cost 2.8 percent per year in the current level analysis. This is the annual increase in cost of the executive's proposed pay plan announced in November of 1984. It assumes a larger increase in take home pay resulting from tax treatment of retirement contributions. No adjustment is made to increase or decrease the portions of the districts' general fund budgets covered by the foundation and permissive programs.

Enrollment

The second determinant of public school funding is ANB enrollment. Total enrollment, after declining for several years, began increasing in fiscal 1985.

The enrollment is projected to continue its rise in the 1987 biennium. Table 2 illustrates projected and actual enrollments.

Table 2
Public School Enrollments (ANB)

<u>Fiscal Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
1980	107,456	55,820	163,276
1981	104,710	53,475	158,185
1982	104,039	50,292	154,331
1983	103,823	48,282	152,105
1984	104,152	46,553	150,705
1985	104,790	46,434	151,224
----- PROJECTED -----			
1986	105,306	46,692	151,998
1987	105,880	47,338	153,218

Revenues

The Foundation Program is funded from a variety of tax and nontax sources. Table 3 illustrates projected nongeneral fund revenues available for Foundation and Permissive funding. The cost of Foundation and Permissive funding not covered by these revenues comes from state general fund appropriations.

Table 3
Public School Revenues
(Figures x \$1,000,000)

<u>Revenues Available</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
County Equalization			
45 Mill Levy ²	\$107.94 ³	\$105.14	\$106.13
Miscellaneous	11.77	10.50	10.50
Forest Funds	1.01	1.00	1.00
Grazing Funds	.12	.12	.12
Elementary Trans.	(3.54)	(3.68)	(3.83)
High School Tuition	(.67)	(.70)	(.70)
Total County Equalization ¹	\$116.63	\$112.38	\$113.22
State Equalization			
25 Percent Income Tax	\$ 44.16	\$ 48.22	\$ 52.15
25 Percent Corp. Tax	12.19	11.48	12.72
5 Percent Coal Tax	4.30	4.48	4.46
Interest and Income	38.20	41.63	43.67
Federal Mineral Leasing	13.90	13.90	14.40
Coal Trust Interest	6.22	7.08	7.88
Balance Available	.21		
Total State Equalization	\$119.18	\$126.79	\$135.28
District Permissive (Includes Light Vehicle Fees and Replacement Funds)	18.50	18.80	19.10
TOTAL REVENUES	<u>\$254.31</u>	<u>\$257.97</u>	<u>\$267.60</u>

¹County Surplus included in county equalization.

²Includes cash reappropriated, 45 mill levy shares of vehicle fees and state reimbursements, other minor revenues and portions of retroactive adjustment for Senate Bill 413 not included in 45 mill levy figures.

³Includes funds from retroactive adjustments to oil and gas net proceeds taxes resulting from Senate Bill 413 of 48th Legislature.

The calculation of general fund appropriations required for public school funding is illustrated in Table 4. This calculation shows that to the extent costs exceed available Foundation Program revenues, the general fund appropriation makes up the deficit. The cost of public school support, excluding special education, is estimated to be \$283.30 million in fiscal 1986 and \$296.90 million in fiscal 1985 based upon the 4 percent per year schedule increase.

Table 4
General Fund Appropriation Foundation and Permissive
(x \$1,000,000)

	<u>1985</u>	<u>1986</u>	<u>1987</u>
Expenditures	\$270.98	\$283.30	\$296.90
Non-General Fund Revenues ¹	<u>254.31</u>	<u>257.97</u>	<u>267.60</u>
General Fund Required	<u>\$ 16.67</u>	<u>\$ 25.33</u>	<u>\$ 29.30</u>

¹See Table 3.

In the 1985 biennium \$43.5 million general fund was appropriated for foundation and permissive support, in fiscal 1984 \$12.26 million was used, in fiscal 1985 we estimate \$16.67 million will be used. This results in an anticipated general fund reversion of \$14.57 million.

Issue 1: Public School Schedule Alternatives

The current level analysis provides for increased costs of public schools including a pay increase costing the district employer 2.8 percent per year. Current level also held the portion of the district's budget funded by foundation program at the current level. The Office of Public Instruction has proposed increasing the schedules 7 percent per year. This would allow district personal service costs to rise 6 percent in fiscal 1986 and 7.5 percent in fiscal 1987 while holding the foundation and permissive share of the budget constant. However, at this rate of increase the local mill rates would rise slightly in order to support the district share. This occurs because property tax values are anticipated to rise less than the 7 percent increase. The rise in mill rates could be offset by holding personal service cost increases lower and increasing the foundation and permissive share of the budget.

The Governor has proposed schedule increases of 2.4 percent and 3 percent for public schools. These increases may result in decreasing the share of public school general fund budgets that are financed through foundation and permissive support and a slight rise in local property tax rates. The extent of such rise would be affected by districts' abilities to hold or reduce costs including personal services increases.

Option a: Provide 7 percent per year schedule increases. Based on LFA estimates of available revenues this would increase the current level general fund cost by \$8.14 million in fiscal 1986 and \$17.61 million in fiscal 1987.

Option b: Provide 2.4 and 3 percent schedule increases in fiscal 1986 and fiscal 1987 respectively. Based on LFA estimates of available revenues, this would decrease the general fund costs by \$3.93 million in fiscal 1986 and \$6.47 million in fiscal 1987.

Option c: Provide 4 percent per year schedule increases as contained in current level.

Special Education Funds

Federal and state laws direct school districts to provide a free and appropriate public education program for all handicapped children. These education programs, known as Special Education, provide education to children with varying handicapping conditions. The special education funds for the 1987 biennium were estimated based on fiscal 1984 expenditures with allowances for inflation. Table 5 illustrates the current level funding.

Table 5
Special Education Funding

<u>Fiscal Year</u>	<u>Foundation & Permissive</u>	<u>Contingency Fund</u>
1984	\$26,197,564	\$410,826
1985	27,249,629	500,000
1986	28,044,492	500,000
1987	28,880,218	500,000

These funds are distributed to elementary and secondary schools for services to handicapped children. The number of eligible children has risen as illustrated in Table 6.

Table 6
Special Education Enrollments

<u>Fiscal Year</u>	<u>Child Count</u>	<u>Over Previous Year</u>
1981	12,990	
1982	13,906	7.1
1983	14,871	6.9
1984	15,132	1.7

Approximately 80 percent of these children attend special education programs on a part-time basis. The part-time students are counted in determining a districts' ANB for state support of regular programs. Students who spend more than half their time in special education programs are not counted for purposes of regular education funding.

Special Education Contingency

The special education contingency fund is given to the office of public instruction as a resource to address unexpected needs in district special education budgets. These funds are awarded on an as needed basis. The legislature has provided \$1 million per biennium since fiscal 1980 for this purpose. The expenditure of these funds is listed in Table 7.

Table 7
Special Education Contingency Expenditure

<u>Fiscal Year</u>	<u>Amount Expended</u>
1980	\$481,795
1981	500,000
1982	457,840
1983	397,994
1984	410,826

The contingency fund is appropriated in a line-item by the legislature, any unused funds revert at the end of the biennium. Current level continues this fund at the \$1 million per biennium level.

Transportation

School districts providing home-to-school transportation of children living more than three miles from school receive a state reimbursement. The reimbursement is calculated as one-third of the cost generated from a statutory schedule. The schedule sets a rate per mile reimbursement based upon bus size and occupancy. The state pays two-thirds of the cost as it relates to transportation of special education students.

The current level figures are based upon the rates listed in Table 8. These rates are designed to cover increased costs in the same manner as all state agencies. The fiscal 1985 bus rate is 80 cents plus 2 cents for each seat over 45 in the bus's rated capacity. Individual transportation is reimbursed at 20 cents per mile in fiscal 1985.

Table 8
School Transportation Rates

<u>Year</u>	<u>Rate Per Mile</u>
	<u>Bus Rates</u>
Fiscal 1986	82¢ + 2¢ for each seat over 45
Fiscal 1987	84¢ + 2¢ for each seat over 45
	<u>Individual Rates</u>
Fiscal 1986	21¢
Fiscal 1987	21¢

School Lunch

Current level funding for state support of school lunch programs is \$640,000 in fiscal 1986 and \$655,000 in fiscal 1987, the federally required minimum. Programs are supported on the district level by charges to participants, school district funds, and federal cash and commodity assistance.

Gifted and Talented

The gifted and talented program was initiated in fiscal 1982. The legislature has made a biennial appropriation of \$200,000 in each of the past two legislative sessions for this program. In fiscal 1984, thirty six school districts received awards averaging approximately \$2,600 each. Funds are awarded on a competitive

basis annually. The current level continued into the 1987 biennium is the \$200,000 granted in the past two biennia.

Secondary Vocational Education

Secondary vocational education programs are maintained in public secondary school districts in Montana. These funds are distributed by the Office of Public Instruction directly to districts operating secondary vocational programs based on the number of students enrolled, a weighting factor for the type of program and the amount of funds available. These funds supplement foundation program monies and district voted levies. Federal vocational education funds are also available to districts.

The legislature has appropriated \$1.5 million in each biennium beginning in fiscal 1980 for this supplemental aid. During this time period, secondary school enrollment has declined nearly 17 percent. However statistics generated by the office of public instructions indicate enrollment in vocational education has risen during the period. Current level for this supplemental aid is the \$1.5 million per biennium. Cost increases in all public school programs are addressed through the foundation program.

Adult Basic Education

This program provides high school level education to persons who wish to receive their high school equivalency degree. The appropriated funds are from 10 percent of the interest on the education trust fund. This 10 percent is shared with the vocational technical centers. The current level amounts are based upon inflation applied to fiscal 1984 actual expenditures.

Traffic and Safety Education

Section 20-7-504, MCA, provides for a Traffic Education account that collects a portion of revenue from highway fines and bond forfeitures related to traffic fines. The revenues collected in this account are distributed annually to school districts conducting approved traffic education courses. The Office of Public Instruction distributes this revenue and is allowed to deduct a portion for state administration expenses. Current level figures are based upon amounts estimated to be available from those revenues.

POSTSECONDARY VOCATIONAL TECHNICAL CENTERS

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	N/A	\$9,423,086	\$18,066,512
LFA Current Level	N/A	8,461,594	17,385,695
Executive Over (Under) LFA	<u>N/A</u>	<u>\$ 961,492</u>	<u>\$ 680,817</u>

The executive recommends general fund support of the postsecondary vocational technical centers to be \$961,492 higher than the LFA current level analysis. This is caused partially by an overall expenditure level exceeding the LFA current level by \$680,817 and shortfalls in federal vo-ed funds anticipated by the executive.

The vocational technical center employees are not state employees and are therefore not included in the FTE comparison.

Both the executive budget and the LFA current level analysis were developed using concepts from the funding formula developed by the Legislative Finance Committee in 1982. There were some differences, however, that resulted in the executive recommendation being \$680,817 higher than the LFA current level analysis.

Issue 1: Student Enrollment

The executive budget is based on a student enrollment of 2,785 each year while the LFA current level analysis estimated 2,585 students each year. This enrollment difference caused the executive budget to be approximately \$850,000 higher than the LFA current level analysis.

Issue 2: Vacancy Savings

The executive budget recommends 4 percent vacancy savings for all programs at the centers. The LFA current level does not include vacancy savings. This offsets the difference due to the higher enrollments by \$570,000.

Issue 3: Support Staff Standards

The executive budget recommends support staff which exceeds the standards established by the 1983 legislature. The LFA current level analysis was developed using the standards adopted by the 1983 legislature. The executive budget estimates the total support staff requirements (including plant

employees) will be 96.67 FTE while the LFA analysis estimates staff needs at 84.08 FTE. The executive budget's recommended total support and plant operating costs, net of the impact caused by higher enrollment, exceed the LFA current level analysis by \$743,000.

Issue 4: Equipment

The executive recommends a total of \$183,810 for small equipment items in the 1987 biennium and none for major equipment. The LFA current level analysis includes a total of \$438,050 for equipment: \$180,950 for small items and \$257,100 for capital equipment. The difference of \$257,100 in major equipment results from the executive recommendation that major equipment be presented as a modified request.

Issue 5: Inflation

The executive recommends no inflation in fiscal 1987 while the LFA current level analysis uses moderate inflation. This caused the LFA current level rates for instruction and variable equipment to be higher than those used in the executive budget. The total fiscal impact in the Instruction Program and for equipment attributable to inflation is \$88,000.

POSTSECONDARY VOCATIONAL TECHNICAL CENTERS

Expenditures by Center	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
Billings	\$1,543,458	\$1,646,271	\$1,818,134	\$1,823,352	14.1
Butte	1,235,200	1,307,688	1,223,870	1,217,925	(4.0)
Great Falls	1,414,589	1,537,352	1,519,958	1,518,325	2.9
Helena	2,096,771	2,136,199	2,117,131	2,122,732	.04
Missoula	<u>2,132,251</u>	<u>2,178,691</u>	<u>2,010,897</u>	<u>2,018,371</u>	(6.5)
Total Expenditures	<u>\$8,422,269</u>	<u>\$8,806,201</u>	<u>\$8,684,990</u>	<u>\$8,700,705</u>	<u>.9</u>
Fund Sources					
General Fund	\$4,500,571	\$4,556,694	\$4,307,830	\$4,153,764	(6.6)
Tuition Fees	1,303,110	1,503,900	1,447,600	1,499,300	5.0
County Millage	823,751	842,220	855,233	868,314	3.5
Coal Tax	616,180	724,730	895,000	1,000,000	41.3
Federal Vo-Ed Funds	<u>1,178,657</u>	<u>1,178,657</u>	<u>1,179,327</u>	<u>1,179,327</u>	<u>.1</u>
Total Funds	<u>\$8,422,269</u>	<u>\$8,806,201</u>	<u>\$8,684,990</u>	<u>\$8,700,705</u>	<u>.9</u>

Montana's Postsecondary Vocational Technical Centers located in Billings, Butte, Great Falls, Helena, and Missoula, collectively serve over 2,500 students annually. The vo-tech centers' budgets are estimated with a funding formula developed by the Legislative Finance Committee and implemented with few modifications in the 1983 session. The budget developed in the current level analysis provides a .9 percent increase in the 1987 biennium over the 1985 biennium. The total budget decreases from fiscal 1985 to 1986 because the projected enrollment for fiscal 1986 is 7 percent below the fiscal 1985 funded level.

Another factor affecting individual center increases or decreases is the expenditure limitations implemented by the 1983 legislature. These limitations, known as "caps", provided that no center could receive in fiscal 1984 more than a 8.25 percent increase nor less than a 3.25 percent increase from the 1983 appropriated level. In fiscal 1985, the minimum increase from fiscal 1984 was 3 percent and the maximum increase was 8 percent. No caps are included in the 1987 current level budget.

Expenditures at Billings and Great Falls were below formula generated levels in fiscal 1984 and 1985. Because no caps were used in the current level budget, each of these centers receive larger increases than the other centers in the system as they move to system averages.

Missoula's expenditures were above formula generated levels in fiscal 1984 and 1985. Therefore the uncapped expenditure level in the 1987 biennium results in a decrease.

Butte and Helena each received minimum increases in fiscal 1984 and the actual formula driven increase in fiscal 1985. Butte did not experience the budgeted enrollment which was added in the 1983 session for summer school and its new facility. This, combined with no caps, results in a total expenditure decrease. Helena is budgeted at approximately the same level as its 1985 biennium level.

PROGRAM EXPENDITURES

The funding formula develops expenditure levels for the Instruction Program, Support Program, Plant Operation and Maintenance Program, and Equipment. Table 1 lists the program expenditures for each unit developed in the current level analysis. These programs, except equipment, comprise the recommended program structure for postsecondary institutions according to the National Association of College and University Business Officers. When the centers began using the state accounting system in fiscal 1981, the NACUBO standards were adopted. However, the appropriations have been established according to type of expenditure (personal services, operations and equipment) rather than function. We recommend the appropriations be set in the NACUBO programs in order to make the intent of the use of the appropriation more evident to the centers and to legislators.

Table 1
Program Expenditures by Center
1987 Biennium

<u>Fiscal 1986</u>	<u>Billings</u>	<u>Butte</u>	<u>Great Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>System</u>
Instruction	\$1,072,777	\$ 685,936	\$ 887,330	\$1,296,100	\$1,212,352	\$5,154,490
Support	416,259	367,606	399,021	443,781	449,968	2,071,635
Plant Oper & Maint	279,461	163,632	187,127	318,800	296,555	1,245,575
Equipment	<u>49,642</u>	<u>11,696</u>	<u>46,480</u>	<u>53,450</u>	<u>52,022</u>	<u>213,290</u>
Total Expenditures	<u>\$1,818,134</u>	<u>\$1,223,870</u>	<u>\$1,519,958</u>	<u>\$2,112,131</u>	<u>\$2,010,897</u>	<u>\$8,684,990</u>
<u>Fiscal 1987</u>						
Instruction	\$1,081,380	\$ 691,440	\$ 894,450	\$1,306,500	\$1,222,080	\$5,195,850
Support	399,553	345,352	382,162	427,346	433,644	1,988,057
Plant Oper & Maint	290,126	168,749	192,768	332,561	307,834	1,292,038
Equipment	<u>52,293</u>	<u>12,384</u>	<u>48,945</u>	<u>56,325</u>	<u>54,813</u>	<u>224,760</u>
Total Expenditures	<u>\$1,823,352</u>	<u>\$1,217,925</u>	<u>\$1,518,325</u>	<u>\$2,122,732</u>	<u>\$2,018,371</u>	<u>\$8,700,705</u>

Enrollment

A large portion of the vo-tech centers' budgets are dependent upon the student full-time equivalent enrollment (FTEs) expected in the biennium. A student FTE is defined as 1000 hours of student/teacher classroom contact per year. All of the Instruction Program, a portion of the equipment budget, and indirectly the Support Program, are impacted by FTE increases or decreases.

Table 2 lists the actual, appropriated, and projected FTE for fiscal years 1984, 1985, and the 1987 biennium, respectively. Enrollment projections for the 1987 biennium were based on a three-year average (1983, 1984, and 1985 estimated). Consideration was given to those centers whose enrollment was indicating an increase in fiscal 1985.

Table 2
Student Full-Time Equivalent Enrollment

Center	Actual 1984	Appropriated ^a 1985	- - - - LFA Projected - - - 1985	1986	1987
Billings	485	521	538	538	538
Butte	342	428	347	344	344
Great Falls	449	502	416	445	445
Helena	663	716	631	650	650
Missoula	607	618	608	608	608
System	<u>2,546</u>	<u>2,785</u>	<u>2,540</u>	<u>2,585</u>	<u>2,585</u>

Although not shown on Table 2, the fiscal 1984 actual enrollment was 3.9 percent less than the level used to establish the appropriation. In the 1985 biennium, FTE will be approximately 6 percent less than the number used to set the appropriation.

The Office of Public Instruction estimates a system-wide enrollment of 2,805 each year in the 1987 biennium or 8.5 percent higher than the LFA 1987 biennium projected enrollment.

Instruction

The Instruction Program accounts for approximately 60 percent of total expenditures funded from legislatively appropriated funds at the centers. Costs relating to Instruction Programs only are recorded in this program. The major factors used in the development of this program's budget are FTE enrollment and a flat rate per FTE. The projected FTE are presented on Table 2. The instruction rates per FTE that are used to estimate each center's Instruction Program budget in the 1987 biennium are \$1,994 per FTE in fiscal 1986 and \$2,010 in fiscal 1987. This rate does not include pay increases in fiscal years 1986-1987.

Support

Activities in the Support Program include: instruction support, academic supervision, financial and institutional administration, and student services. The budget factors used to estimate the Support Program budget include support staffing standards, an average compensation for each type of support position, and an average operating cost per support staff full-time equivalent employee.

Legislative audit costs of \$20,000 in fiscal 1986 are included in each unit's support program budget.

Table 3 lists the staff standards approved by the 48th Legislature and used in the current level 1987 biennium analysis.

Table 3
Support Staff Standards Approved by the 48th Legislature

<u>Function</u>	<u>Staff Standard</u>
Administration	1 Director
	1 Assistant Director
Support	1 Business Manager <u>or</u> Chief Accountant
	1 Counselor for every 300 Students
	1 Librarian or Media Specialist
	1 Head Custodian with a staff of 1.00 FTE to each 35,000 gross square feet of facility
Clerical	1 Administrative Secretary
	1 Secretary: 3 Administrative staff
	1 Secretary: 5 Support staff
	1 Secretary: 10 Instruction Staff

Table 4 shows the development of estimated staffing needs for each center and the average compensation for each position type. Pay plan increases for the 1987 biennium are not included in the average compensation.

Table 4
Support Staff Requirements and Average Compensation
1987 Biennium

Support Standard Variables	Billings	Butte	Great Falls	Helena	Missoula	Average Compensation Per Support Staff FTE 1986 & 1987
Projected Student FTE - FY 86 & 87	532	344	445	650	608	
Instruction Staff FTE (See Note)	32.90	21.64	31.00	39.07	43.10	
<u>Staffing Needs</u>						
<u>Administration</u>						
Director	1.00	1.00	1.00	1.00	1.00	\$51,341
Assistant Director	1.00	1.00	1.00	1.00	1.00	51,334
<u>Support</u>						
Business Mgr. or Accountant	1.00	1.00	1.00	1.00	1.00	43,415
Counselor (1:300 students)	1.79	1.15	1.48	2.17	2.63	32,487
Librarian/Media Specialist	1.00	1.00	1.00	1.00	1.00	22,216
<u>Clerical</u>						
Administrative Secretary	1.00	1.00	1.00	1.00	1.00	17,391
Clerical Support						
Admin 1:3	.67	.67	.67	.67	.67	15,182
Support 1:5	1.65	1.36	1.57	1.68	1.83	15,182
Instruction 1:10	3.29	2.16	3.10	3.91	4.31	15,182
Total Support Staff	12.40	10.34	11.82	13.43	13.84	

Note: Instruction staff FTE from fiscal 1985 Budgets summarized by OPI.

The Support Program's operating expenses are estimated from a flat rate per staff and the number of support staff. The rates in current level are \$5,422.50 per FTE in fiscal 1986 and \$5,688.20 in fiscal 1987. Table 5 lists the support staff and the operating expense portion of the Support Program.

Table 5
Support Program Operating Expense¹

	Number of Support Staff	--Total Operating Expense -- 1986	1987
Billings	12.40	\$67,224	\$70,518
Butte	10.34	56,049	58,795
Great Falls	11.82	64,099	67,240
Helena	13.43	72,767	76,332
Missoula	13.84	75,032	78,709

¹Does not include audit costs.

Plant Operation and Maintenance

The 48th Legislature modified the Legislative Finance Committee's procedure for budgeting the Plant Program. Rather than estimating the entire budget from base year expenditures, the formula was changed to estimate personal services from standard staffing requirements and average compensation. Operating expenses are estimated individually for each center based on fiscal 1984 actual expenditures with any voted levy expenditures removed. The Butte center was given a \$33,165 base adjustment approved by the 48th Legislature for new space as its new facility is operational in the current fiscal year.

Table 6 illustrates the factors used in developing the personal services component of the Plant Operation and Maintenance Program. Pay plan is not included.

Table 6
Plant Operating and Maintenance Personal Services
1987 Biennium

Center	Square Footage of Physical Plant	Number of Staff ¹	Average Annual Compensation Rate	Annual Compensation
Billings	120,500	4.50	\$20,261	\$ 91,175
Butte	92,700	3.75	20,261	75,979
Great Falls	118,000	4.50	20,261	91,175
Helena	113,000	4.25	20,261	86,109
Missoula	145,000	5.25	20,261	106,370

¹The staffing standard approved by the 48th Legislature was one head custodian with a staff of 1.0 FTE for each 35,000 gross square feet.

Equipment

The equipment budget is estimated in two areas: (1) Items with a unit cost under \$1,000 are estimated from a flat rate per student and the estimated enrollment; and (2) Capital equipment, those items with a unit cost exceeding \$1,000, is estimated on the basis of need.

The current level analysis used a flat rate of \$34 in fiscal 1986 and \$36 in fiscal 1987 to estimate the variable equipment portion of the equipment budget. All the centers (except Butte) submitted capital equipment requests totaling over \$100,000 in the 1978 biennium. The Butte center equipped its new facility with construction funds available at the time of construction. The current level analysis provided \$31,350 in fiscal 1986 and \$32,925 in fiscal 1987 to the Billings, Great Falls, Helena, and Missoula centers for capital equipment needs. This was based on the evidence that each of the centers have large equipment needs and provides an equal opportunity for the needs to be met. Relative to the fiscal 1985 appropriated level, this capital equipment expenditure level would represent a \$4,413 increase at Billings and a \$2,900 increase at Great Falls, a \$5,000 decrease at Helena, and level funding at Missoula.

REVENUE

The Postsecondary Vocational Technical Centers are funded from five sources:

1. Tuition
2. County Millage
3. Federal Vo-Ed Funds
4. Interest from the Education Trust fund, and
5. General Fund

Section 20-7-326, MCA, also authorizes each school district containing a vo-tech center to place before the electorate an additional, voted levy for the purpose of paying personal services, operating, or equipment costs beyond the appropriation established by the legislature. As these funds are not appropriated by the legislature, they are not considered in the development of the budget. Table 7 lists the estimated revenue by source for each unit in the 1987 biennium.

Table 7
Estimated Revenue by Center
1987 Biennium

<u>Fiscal 1986</u>	<u>Billings</u>	<u>Butte</u>	<u>Great Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>System</u>
Tuition	\$ 301,280	\$ 192,640	\$ 249,200	\$ 364,000	\$ 340,480	\$1,447,600
County Millage	326,126	76,579	138,882	104,490	209,156	855,233
Federal Vo-Ed	188,692	279,500	244,121	251,197	215,817	1,179,327
Education Trust Interest	164,680	130,670	149,465	222,855	227,330	895,000
General Fund	837,356	544,481	738,290	1,169,589	1,018,114	4,307,830
Total Revenue	<u>\$1,818,134</u>	<u>\$1,223,870</u>	<u>\$1,519,958</u>	<u>\$2,112,131</u>	<u>\$2,010,897</u>	<u>\$8,684,990</u>
<u>Fiscal 1987</u>						
Tuition	\$ 312,040	\$ 199,520	\$ 258,100	\$ 377,000	\$ 352,640	\$1,499,300
County Millage	331,117	77,733	141,123	106,046	212,295	868,314
Federal Vo-Ed	188,692	279,500	244,121	251,197	215,817	1,179,327
Education Trust Interest	184,000	146,000	167,000	249,000	254,000	1,000,000
General Fund	807,503	515,172	707,981	1,139,489	983,619	4,153,764
Total Revenue	<u>\$1,823,352</u>	<u>\$1,217,925</u>	<u>\$1,518,325</u>	<u>\$2,122,732</u>	<u>\$2,018,371</u>	<u>\$8,700,705</u>

Tuition

The annual tuition rate in fiscal 1985 is \$540 per student. The current level analysis increases the fiscal 1985 annual rate 3.7 percent in fiscal 1986 to \$560

and 3.5 percent in fiscal 1987 to \$580. Total tuition revenue is estimated by multiplying the annual rate by the projected student FTE in the 1987 biennium. The biennial tuition revenue increase is estimated to be 3.2 percent, primarily because of the proposed tuition rate increases.

County Millage

Section 20-7-324, MCA, authorizes the county commissioners in each county in which a vo-tech center is located to levy one and one-half mills for the support and maintenance of the center located within that county. The superintendent of public instruction has been given the authority by the legislature to transfer millage revenue overcollections to those centers undercollecting. Language in the general appropriations act has also required a general fund reversion equal the amount of millage overcollections on a system level to prevent the additional revenue from providing budget increases.

The millage revenue estimated for the 1987 biennium considers the vehicle fee reimbursement and corporate tax redistribution, both of which are distributed to the counties from the state and are considered part of the county millage revenue. The estimated millage revenue is \$895,233 in fiscal 1986 and \$868,314 in fiscal 1987.

Federal Vo-Ed Funds

The federal bill establishing federal vocational education programs was reauthorized by Congress in 1984. The total state allocation increases from \$2,692,387 in fiscal 1985 to \$2,712,922 in fiscal years 1986 and 1987; the estimated federal funds available for allocation to the centers increases from \$1,178,657 in fiscal 1985 to \$1,179,327 in fiscal years 1986 and 1987. The Office of Public Instruction maintains the use of these funds is more restrictive than in prior years and estimates the amount of federal funds available for postsecondary vo-tech center allocation to be \$867,000 annually, or 26 percent less than the LFA level.

Education Trust Interest

House Bill 105 passed by the 48th Legislature authorized the use of the interest from the coal tax-funded education trust fund, which was formerly reinvested into the trust, for operating costs incurred by the postsecondary vo-tech centers and adult basic education programs. The 48th Legislature chose to fund the Adult Basic Education Distribution Program at current level and allocated the remaining education trust interest funds to the vo-tech centers. Continuation of this allocation would provide the centers an estimated \$895,000 in

fiscal 1986 and \$1,000,000 in fiscal 1987. This is an approximate 41 percent increase in revenue from this source over the current biennium.

General Fund

After all other available revenue sources are estimated, the general fund portion is calculated. For the 1987 biennium, the general fund is estimated to decrease 6.6 percent, caused largely by the education trust interest increase and other non-general fund revenues increasing faster than overall expenditures. The small increase in total cost primarily results from a 4.8 percent drop in funded enrollment and the fact that the budgets do not include pay increases. Any pay increase would be funded from the general fund.

MONTANA ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	2.0	-0-	\$209,355
LFA Current Level	<u>2.0</u>	<u>-0-</u>	<u>206,023</u>
Executive Over (Under) LFA	<u>0.0</u>	<u>-0-</u>	<u>\$ 3,332</u>

The executive budget exceeds the current level in total funds (federal) by \$3,332 in the 1987 biennium. The executive budget is higher than the current level in operating expenses (primarily in travel) by \$3,400 in fiscal 1986 and \$4,161 in fiscal 1987. The executive budget applied 4 percent vacancy savings to personal services which partially offsets the difference in operating expenses.

VO-ED ADVISORY COUNCIL

Budget Item	Actual	Appropriated	Current Level		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	2.00	2.00	2.00	2.00	0.00
Personal Service	\$55,865	\$55,150	\$ 58,857	\$ 58,880	6.0
Operating Expense	38,826	38,550	44,989	39,834	9.6
Equipment	449	1,531	-0-	-0-	--
Inflation	-0-	-0-	1,318	2,145	--
Total Expenditures	<u>\$95,140</u>	<u>\$95,231</u>	<u>\$105,164</u>	<u>\$100,859</u>	<u>8.2</u>
<u>Fund Sources</u>					
Federal Revenue	<u>\$95,140</u>	<u>\$95,231</u>	<u>\$105,164</u>	<u>\$100,859</u>	<u>8.2</u>

The Montana Advisory Council for Vocational Education was created in 1969 by executive order to comply with the Education Amendments of 1976 (Public Law 94-482). The council functions in an advisory capacity to the Superintendent of Public Instruction, local vocational education advisory councils, and other recipients of federal vocational education funds.

The council is funded entirely from federal vocational education funds. Federal funding is expected to be \$102,772 in each year of the 1987 biennium. Two thousand three hundred and ninety-two dollars of carryover from prior fiscal years is utilized to maintain current level services in fiscal 1986. No supplemental funding beyond the estimated federal authorization of \$102,772 is expected to be necessary to support current level services in fiscal 1987.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The council transferred \$2,303 from operating expenses to cover the pay plan increase, and \$449 was spent from operating expenses to buy equipment that was not budgeted.

Budget Item	Budgeted	Actual	Difference
F.T.E.	2.00	2.00	0.00
Personal Services	\$53,562	\$55,865	\$(2,303)
Operating Expenses	41,659	38,826	2,833
Equipment	-0-	449	(449)
Total Costs & Federal Revenue	<u>\$95,221</u>	<u>\$95,140</u>	<u>\$ 81</u>

Current Level Adjustments

The increase of 6.1 percent in personal services results as the amount budgeted for personal services in fiscal 1985 did not have any pay plan funds included.

The increase in operating expenses of 9.6 percent is caused primarily by the following adjustments:

1. The council began to pay indirect costs to the state in fiscal 1985. Operating expenses have been increased by \$2,243 in fiscal 1986 and \$2,243 in fiscal 1987 to allow for continued payment of indirect costs to the general fund in the 1987 biennium.
2. Printing costs have been increased by \$1,659 in each year of the 1987 biennium to allow the council to print informational flyers, handbooks for council members, and resolutions--items not printed in the past.
3. Registration fees have been increased by \$1,714 in fiscal 1986 to allow all 23 members of the council to attend a western regional conference for state advisory councils for vocational education to be held in Montana.

The apparent drop in operating expenses from fiscal 1986 to 1987 results from the increase in registration fees discussed in item (3) above and audit costs being included in fiscal 1986.

MONTANA ARTS COUNCIL

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	8.5	\$344,760	\$2,058,716
LFA Current Level	<u>4.0</u>	<u>250,851</u>	<u>2,328,451</u>
Executive Over (Under) LFA	<u>4.5</u>	<u>\$ 93,909</u>	<u>\$ (269,735)</u>

The executive recommendation includes 4.5 additional FTE over current level services. General fund is proposed to be \$93,909 or 37 percent higher than LFA current level general fund expenditures. The LFA current level analysis estimates higher cultural and aesthetic project fund revenue will be available for grants which explains why the LFA current level total funds exceeds the executive budget.

Issue 1: Vacancy Savings

The executive budget recommends a 4 percent vacancy savings rate while the current level analysis recognizes the agency is too small to realize any vacancy savings. This causes an approximate \$2,800 difference each year in the Administration Program and \$1,600 per year difference in Special Projects Program.

Issue 2: Accounting Services

The executive budget recommends that accounting services obtained through contract be modified to state positions (1.5 FTE) in the 1987 biennium. The executive budget also includes the accounting contracts in its current level recommendation.

The LFA current level analysis includes an accounting service contract in current level but does not include an accounting technician contract recommended by the executive. This accounts for an approximate \$45,800 difference between the LFA current level analysis and the executive budget in the Administration Program.

Issue 3: Clerical Services

The executive budget recommends an additional 1 FTE be authorized in the Administration Program and funded equally between general fund and federal funds at a total cost of approximately \$14,000 annually. The additional FTE would provide clerical services now obtained through contract. The LFA current

level analysis does not include the additional FTE, but presents the agency's request as a budget issue. Both the LFA current level analysis and the executive current level recommendation include this service as a contracted service.

Issue 4: Cultural and Aesthetic Grants

The executive estimates \$620,472 of cultural and aesthetic fund will be available for regranting purposes in the 1987 biennium while the LFA estimates \$1,175,000 will be available; a difference of \$554,528.

Issue 5: Federal Grant Funds

The executive budget estimates the Montana Arts Council will have \$20,748 less for federal grant funds available in the 1987 biennium for regranting purposes.

Issue 6: Project Administration Services

The executive budget recommends an additional 2 FTE be authorized to provide project administration services that are currently obtained through contract or in one instance, with existing state personnel. This accounts for an approximate \$43,500 difference between the executive recommendation and the LFA current level analysis. The LFA analysis presents these additional FTE as budget issues.

The executive also includes project administration services in its current level recommendation as contract services at an approximate cost of \$43,600. The LFA current level analysis includes \$32,500 for project administration contract services. The differences between the executive and LFA current level are (1) the executive increased the cost of the community arts projects contract from \$20,200 in fiscal 1984 to \$24,700 in fiscal 1986, a 22 percent increase and (2) the executive provides for visual arts projects administration services, \$7,600 each year, that were performed by existing agency personnel in fiscal 1984. No expenditures were separately identified as being spent for this service in fiscal 1984.

Issue 7: Montana Folklife Project

The executive budget recommends the Folklife Project be funded from cultural and aesthetic grant funds in the 1987 biennium. The LFA current level analysis removed this program from current level operations as the legislature requested the Folklife Project to seek an alternative funding source for the 1987

biennium. This accounts for a difference of approximately \$27,000 in the Special Projects Program each year of the 1987 biennium.

MONTANA ARTS COUNCIL

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	4.00	4.00	4.00	4.00	0.00
Personal Service	\$118,561	\$ 102,568	\$ 110,864	\$ 111,265	0.4
Operating Expense	256,974	242,575	223,054	232,030	(8.9)
Equipment	2,754	0-	2,754	2,754	100.0
Inflation	-0-	-0-	16,075	26,291	--
Total Operating Costs	\$378,289	\$ 345,143	\$ 352,747	\$ 372,340	0.2
Non-Operating Costs	377,380	759,300	767,946	827,930	40.3
Non-Operating Initiation	-0-	-0-	2,865	4,623	-0-
Total Expenditures	<u>\$755,669</u>	<u>\$1,104,443</u>	<u>\$1,123,558</u>	<u>\$1,204,893</u>	<u>25.1</u>
<u>Fund Sources</u>					
General Fund	\$130,883	\$ 113,586	\$ 122,647	\$ 128,204	2.6
State Special	224,205	599,274	561,561	637,139	45.5
Federal Revenue	<u>400,581</u>	<u>391,583</u>	<u>439,350</u>	<u>439,550</u>	<u>10.9</u>
Total Funds	<u>\$755,669</u>	<u>\$1,104,443</u>	<u>\$1,123,558</u>	<u>\$1,204,893</u>	<u>25.1</u>

The Montana Arts Council, with its offices now in Helena, was created by the legislature in 1967 in recognition of the increasing importance of art in the lives of Montanans, the need to provide the opportunity for young people to participate in the arts and contribute to the great cultural heritage of Montana, and of the growing significance of the arts as an element which make living and vacationing in Montana desirable. The responsibilities of the council are to encourage the study and presentation of the arts, to foster public interest in our cultural heritage and resources, and to encourage and assist in freedom of artistic expression.

The current level analysis provides a 25.1 percent increase in the 1987 biennium from the 1985 biennium. This results as cultural and aesthetic grants which are funded from interest income from the coal tax park trust fund are estimated to increase 45 percent in the 1987 biennium and total federal funds are estimated to increase 11 percent.

In fiscal 1984, the agency spent \$14,562 on moving costs and \$26,847 on the folklife project which will no longer be funded from the cultural and aesthetic project account. In consideration of these non-continuing costs, the biennial increase in total operating costs is 6.3 percent.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The agency funded its pay plan increases from its operating budget. In addition, it recorded its time purchase payments for its copying machine in the equipment category. The majority of the net balance of \$22,179 for operating costs is represented by the \$18,011 balance of the biennial appropriation for cultural and aesthetic grant administration. The \$581,263 remaining from cultural and aesthetic grants is due to revenues not being available in fiscal 1984. The agency budget amended \$15,000 in private donations to fund a project for placing a Jeanette Rankin statue in Statuary Hall in Washington, D.C.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	4.00	4.00	0.00
Personal Service	\$ 114,994	\$118,561	\$ (3,567)
Operating Expenses	258,627	230,127	28,500
Equipment	-0-	2,754	(2,754)
Total Operating Costs	\$ 373,621	\$351,442	\$ 22,179
Non-Operating Costs			
General Fund Grants	22,068	21,918	150
Cultural & Aesthetic Grants	794,830	213,567	581,263
Federal Fund Grants	154,645	153,742	903
Total Expenditures	<u>\$1,345,164</u>	<u>\$740,669</u>	<u>\$604,495</u>
<u>Funding</u>			
General Fund	\$ 131,031	\$130,883	\$ 148
State Special	823,479	224,205	599,274
Federal Revenue	390,654	385,581	5,073
Total Funds	<u>\$1,345,164</u>	<u>\$740,669</u>	<u>\$604,495</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 15,000	\$(15,000)

In order to facilitate a better understanding of this agency's operations, its activities have been grouped into three programs: administration, grants, and special projects. Because the legislature did not appropriate funds by these programs, there is no biennial comparison provided on a program level; however, the agency main table summarizes biennial differences.

ADMINISTRATION PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	2.10	0.00	2.10	2.10	0.00
Personal Service	\$ 78,533	-0-	\$ 71,250	\$ 71,635	N/A
Operating Expense	53,421	-0-	41,134	49,534	N/A
Equipment	2,754	-0-	2,754	2,754	N/A
Inflation	-0-	-0-	2,564	4,186	N/A
Total Operating Costs	\$134,708	-0-	\$117,702	\$128,109	N/A
Non-Operating Costs	22,338	-0-	11,320	11,320	N/A
Non-Operating Inflation	-0-	-0-	1,381	2,250	N/A
Total Expenditures	<u>\$157,046</u>	<u>-0-</u>	<u>\$130,403</u>	<u>\$141,679</u>	<u>N/A</u>
<u>Fund Sources</u>					
General Fund	\$ 70,910	-0-	\$ 58,851	\$ 64,055	N/A
Federal Revenue	<u>86,136</u>	<u>-0-</u>	<u>71,552</u>	<u>77,624</u>	<u>N/A</u>
Total Funds	<u>\$157,046</u>	<u>-0-</u>	<u>\$130,403</u>	<u>\$141,679</u>	<u>N/A</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. State Employees vs. Contracted Services	\$14,046	\$(3,438)	\$14,061	\$(3,423)
2. Accounting Technician				
Option a:	\$ 4,410	\$ 4,410	\$ 4,410	\$ 4,410
Option b:	\$ 4,601	\$ 4,602	\$ 4,606	\$ 4,607

The functions included in this program relate to the administrative functions of the agency and the council. The Administration Program is funded by general fund and federal funds. One-half of the operating costs are paid by the general fund; the other operating costs and all non-operating costs are funded from federal funds.

Current Level Adjustments

The current level provides for the continuation of services provided in fiscal 1984. One-time personal services and operating costs of \$14,562 associated with the move to Helena are not continued. Additionally, the agency incurred \$3,078 for contract services with an accounting technician that were not anticipated during the 1983 session. These expenses were removed from the base year expenditures. Issue 2 discusses this contract service.

Operating expenses were increased \$1,150 to allow for increased janitorial and building lease costs associated with the new office space in Helena. Fiscal 1987 includes \$8,400 for an audit by the Legislative Auditor. Fiscal 1984 expenditures for the audit were \$8,360.

Issue 1: State Employees vs. Contracted Service

The agency has submitted a modified expenditure request for a .5 FTE, grade 14 accountant (the other half is requested in the Special Projects Program) and a 1 FTE, grade 6 clerk. In fiscal 1984, approximately one-fourth of the accountant's contract was for services in the Administration Program. This request is for one-half of the accountant's services to be funded from the Administration Program. These accounting and clerical services have been obtained through contract for several years. The agency maintains their relationship with these people is more representative of an employer-employee than a contract for service. Besides providing office space and equipment, the agency supervises and directs their work.

The total personal services cost estimated for the requested positions is \$56,216 in the 1987 biennium before pay plan, with the cost shared equally between general fund and federal funds. The cost of obtaining current level contract accounting and clerical services is estimated at \$34,970, funded from federal funds. The overall cost increase would be \$21,246 if the contract services were made state FTE, with the entire increase borne by the general fund. Approximately \$11,400 of the overall cost increase would result from the one quarter-time accounting contract in the current level analysis being increased to a one-half time FTE. The remaining \$9,846 increase would result from higher proposed salaries.

The legislature has chosen not to convert these services to state FTE in the past primarily for two reasons:

1. the addition of the FTE would increase the overall cost, and
2. the additional FTE would be considered additional administrative costs to be shared equally between the general fund and federal funds. Currently, these services are obtained with the use of federal funds, because they are recorded as grant expenditures, not an operating cost.

Option a: Approve the request for 1.5 additional FTE and fund it from the general fund and federal funds. This would increase the general fund \$14,046 in

fiscal 1986 and \$14,061 in fiscal 1987. Federal funds would realize a net savings of \$3,438 in fiscal 1986 and \$3,423 in fiscal 1987.

Issue 2: Accounting Technician

The agency has submitted a request for accounting technician services obtained either through contract or by authorization of a .5 FTE, grade 9 accounting technician. The agency cites workload increase as the primary justification for this request. In fiscal year 1984, \$3,078 was spent for this purpose and was funded from the general fund and federal funds. Prior to the technician being placed on contract in April 1984, the contract accountant and receptionist had been performing this service. With the additional workload associated with the administration of cultural and aesthetic grants, the agency maintains the accountant cannot continue to provide accounting technician services.

The estimated cost of obtaining this service through contract would be \$8,820 annually, while the cost of obtaining the service with a state position would be \$9,203 in fiscal 1986 and \$9,213 in fiscal 1987. In either case, the agency proposes splitting the cost between general fund and federal funds.

Option a: Approve the accounting technician as a contract service. This would cost \$8,820 annually with general fund contributing \$4,410 and federal funds contributing \$4,410.

Option b: Approve the accounting technician as a state .5 FTE. This would cost \$9,213 annually. The general fund portion would be \$4,601 in fiscal 1986 and \$4,606 in fiscal 1987. Federal funds would contribute the balance of \$4,602 in fiscal 1986 and \$4,607 in fiscal 1987.

GRANTS PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	0.00	0.00	0.00	0.00	(0.0)
Total Expenditures	<u>\$352,481</u>	<u>-0-</u>	<u>\$742,912</u>	<u>\$802,896</u>	<u>N/A</u>
<u>Fund Sources</u>					
General Fund	\$ 21,918	-0-	\$ 23,392	\$ 23,392	N/A
State Special	186,720	-0-	550,000	625,000	N/A
Federal Revenue	<u>143,843</u>	<u>-0-</u>	<u>169,520</u>	<u>154,504</u>	<u>N/A</u>
Total Funds	<u>\$352,481</u>	<u>-0-</u>	<u>\$742,912</u>	<u>\$802,896</u>	<u>N/A</u>

All grant activity administered by the Montana Arts Council is recorded in this program. There are several types of grants, including: (1) those funded by general fund for community arts projects; (2) those funded by federal funds for a variety of projects initiated from either the council or by the grant recipient; and (3) those funded by the cultural and aesthetic project funds and approved by the legislature.

Current Level Adjustments

The general fund grants used for community arts projects are budgeted at \$23,392 for each year of the 1987 biennium which is the 1985 appropriated level.

Federal funds are expected to increase in the 1987 biennium. Total federal funds granted to the agency are estimated to be \$439,550 in fiscal 1986 and fiscal 1987. To maintain current level services, the Administration Program will require approximately \$71,500 of federal funds in fiscal 1986 and \$77,600 in fiscal 1987 while the Special Projects Program will require \$198,278 in fiscal 1986 and \$207,422 in fiscal 1987. This will leave approximately \$169,500 in fiscal 1986 and \$154,500 in fiscal 1987 for regranting purposes. This is an approximate 8 percent increase over the 1985 biennium.

Cultural and aesthetic grants are also estimated to increase in the 1987 biennium. Table 1 on page 7 details the estimated revenue and expenditures associated with the cultural and aesthetic projects in the 1985 and 1987 biennium. While all funds received are available for grants, we recommend an amount be reserved for revenue shortfalls.

Table 1
Cultural and Aesthetic Project Grants
Estimate of Revenue and Expenditures
1985-1987 Biennium

	Actual <u>1984</u>	Estimated <u>1985</u>	- - - Projected - - - <u>1986</u>	<u>1987</u>
Beginning Balance	\$ -0-	\$ 73,891	\$(14,624)	\$ 31,917
Receipts	<u>298,096</u>	<u>510,759</u>	<u>608,102</u>	<u>701,013</u>
Total Available	\$298,096	\$584,650	\$593,478	\$732,930
Expenditure				
Projects	\$213,567	\$581,263	\$550,000	\$625,000
Administration	<u>10,638</u>	<u>18,011</u>	<u>11,561</u>	<u>12,139</u>
Total Expended	\$224,205	\$599,274	\$561,561	\$637,139
Ending Balance	<u><u>\$ 73,891</u></u>	<u><u>\$(14,624)</u></u>	<u><u>\$ 31,917</u></u>	<u><u>\$ 95,791</u></u>

SPECIAL PROJECTS PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	0.00	0.00	1.90	1.90	100.00
Personal Service	\$ 40,028	-0-	\$ 39,614	\$ 39,630	N/A
Operating Expense	203,553	-0-	181,920	182,496	N/A
Inflation	<u>-0-</u>	<u>-0-</u>	<u>13,511</u>	<u>22,105</u>	<u>N/A</u>
Total Operating Costs	\$243,581	-0-	\$235,045	\$244,231	N/A
Non-Operating Costs	2,561	-0-	13,714	13,714	N/A
Non-Operating Inflation	<u>-0-</u>	<u>-0-</u>	<u>1,484</u>	<u>2,373</u>	<u>N/A</u>
Total Expenditures	<u>\$246,142</u>	<u>-0-</u>	<u>\$250,243</u>	<u>\$260,318</u>	<u>N/A</u>
<u>Fund Sources</u>					
General Fund	\$ 38,055	-0-	\$ 40,404	\$ 40,757	N/A
State Special	37,485	-0-	11,561	12,139	N/A
Federal Revenue	<u>170,602</u>	<u>-0-</u>	<u>198,278</u>	<u>207,422</u>	<u>N/A</u>
Total Funds	<u>\$246,142</u>	<u>-0-</u>	<u>\$250,243</u>	<u>\$260,318</u>	<u>N/A</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Folklife Project	\$ 29,018	-0-	\$ 29,321	-0-
2. State Employees vs Contracted Services				
Option a:	\$ 19,360	\$(21,948)	\$ 19,368	\$(21,940)
Option b: Program 03	\$ 19,360	\$(21,948)	\$ 19,368	\$(23,940)
Program 02	\$(19,360)	\$ 21,948	\$(19,368)	\$ 21,940
Option c:	\$ 12,452	\$(15,040)	\$ 12,457	\$(15,029)

Activities included in the Special Projects Program include the Artist-in-the-Schools Program (AIS), community arts, special project administration and the folklife project. Approximately \$135,600 is available for the AIS Program in fiscal 1986 and \$141,750 in fiscal 1987. The general fund provides \$13,700 in each year of the 1987 biennium for the AIS Program and also funds one-half of the estimated administrative expenditures. Cultural and aesthetic project funds provide a total of \$23,700 in the 1987 biennium for current level grant administration services. Federal funds provide the remaining support in the program.

Current Level Adjustments

Operating expenditures of \$26,847 associated with the folklife project were removed because of the legislature's intent that the project compete for general

fund support on a basis similar to a modified request. Issue 1 discusses the folklife project.

The accounting technical assistance service formerly provided in the Grants Program was added to the Special Projects Program. This function is funded at \$15,198 in fiscal 1986 and \$16,087 in fiscal 1987 from federal funds.

Issue 1: Folklife Project

The agency is requesting that its folklife project, funded since its 1979 inception with cultural and aesthetic project funds, be funded from the general fund. In the 1983 session, the legislature determined ongoing projects should not be funded from the cultural and aesthetic projects fund as it detracted from the opportunity of other recipients using the grant funds. Therefore, if the folklife project is to continue, it would need to seek alternative funding sources.

As created by the legislature, the purpose of the project is to identify, document, preserve and make more accessible to the public the traditional folklife of Montana, including ranching and farming, logging, mining, trapping, Indian culture, and cowboy life.

The project has sought to achieve these goals by community visits and interviews, collecting information on tape and film and disseminating the information through a variety of media, including publications, records, and personal contact vis-a-vis technical assistance to local communities starting their own folklife projects.

Option a: Approve the project director as a state employee. This would cost \$29,018 of general fund in fiscal 1986 and \$29,321 in fiscal 1987.

Option b: Do not approve this request.

Issue 2: State Employees vs Contracted Services

The agency is requesting recognition by the legislature of persons who provide contract accounting and grant administration services as state employees. The request is for a .5 FTE accountant, grade 14, (the other half is requested in the Administration Program) and a 1 FTE, grade 13, organizational services director. The current level budget provided three-fourths of the accountant's contract from this program. Both of these functions have been provided by contract service for several years. The reasons cited as justification for this request is the same as the request in the Administration Program. That is, the people providing the service are more like employees than contractors.

As with the Administration Program request, funding of this modification would result in costs being shifted to the general fund that are currently borne

by federal funds. The total cost decreases by \$5,160 in the 1987 biennium because only one-half, rather than, three-fourths of the accountant position is being requested in this program. Overall, general fund would increase \$38,728 in the 1987 biennium.

One option the legislature may want to consider for both issues in the Administration Program and this issue is the possibility of reallocating general fund used for grants to make the contract employees state FTE's. This would decrease the federal funds used for administration and would therefore increase the federal funds available for grants. This would redirect some or all of the general fund being used for community grants and artist in the school projects to support the new positions. As federal funds are now used for community grants and AIS projects, the federal funds freed could be allocated for these purposes depending upon the priorities of the Montana Arts Council.

Another alternative the legislature may want to consider is to fund the requested .5 FTE, grade 14 accountant position from cultural and aesthetic funds. In fiscal 1984 and in the 1987 biennium current level, one-fourth of the contract accountant cost is paid from the cultural and aesthetic appropriation for operating expenses.

Option a: Approve the request to authorize the additional 1.5 FTE and fund the positions from general fund and federal funds. This would cause the shift of expenditures from contract services to personal services. The total contract cost for these services included in the LFA current level analysis is \$41,308 for each year of the 1987 biennium while the personal services cost would be \$38,720 in fiscal 1986 and \$38,736 in fiscal 1987. The net impact would be an expenditure reduction of \$5,160 in the 1987 biennium. This is caused primarily because the accountant's contract is budgeted in current level at approximately \$20,000 annually (which represents three-fourths of the contract) while the request for a .5 FTE would cost approximately \$13,800 annually.

The funding impact of this modified request would be a general fund increase of \$38,728, a federal fund decrease of \$31,820, and a cultural and aesthetic fund decrease of \$12,068 in the 1987 biennium.

Option b: Approve the request, but use general fund from grants or AIS projects in this program with a requirement that federal funds freed be used to support the grants. The net expenditure decrease would remain \$5,160 in the 1987 biennium. The total general fund increase in the Special Projects Program would be \$38,728 while a similar reduction in general fund would occur in the

Grants Program. The impact on other funds in the Special Projects Program would be a total decrease of \$31,820 of federal funds and a total decrease of \$12,068 of cultural and aesthetic funds. A corresponding increase in these federal funds and cultural and aesthetic would occur in the Grants Program.

Option c: Approve the request for the additional 1.5 FTE and fund the accountant from cultural and aesthetic project funds and the organizational services director from general fund currently used for grants. Net expenditures would decrease in the 1987 biennium by \$5,160. The total general fund increase would be \$24,909. Cultural and aesthetic funds would increase \$1,749 and federal funds would realize net savings of \$31,815 in the 1987 biennium.

Option d: Continue to obtain services through contract.

MONTANA HISTORICAL SOCIETY

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	51.00	\$2,204,525	\$3,715,540
LFA Current Level	42.50	2,066,304	3,011,671
Executive Over (Under) LFA	<u>8.50</u>	<u>\$ 138,221</u>	<u>\$ 703,869</u>

The executive budget exceeds the LFA current level in general fund and total funds by \$138,221 and \$703,869, respectively. The following issues reflect the major differences between the executive budget and LFA current level.

ADMINISTRATION

Issue 1: Personal Services

The executive budget exceeds the LFA current level by \$12,199 in the 1987 biennium as the executive has included general fund for a position upgrade. Funding for the position upgrade is not included in the LFA current level.

Issue 2: Rent

The executive budget exceeds the LFA current level in office rent by \$17,980 in fiscal 1986 for the new addition to the Pioneer Building. The LFA current level does not provide a rent increase for the new addition until fiscal 1987--\$14,744 for ten months of occupancy. The architectural firm working on the design of the new addition indicated the building will not be ready for occupancy until September of fiscal 1986. The rent increase in both the executive and LFA current level budgets is provided for from the general fund.

Issue 3: Modified Request (1.50 FTE)

The executive budget has funded an agency request for an accounting specialist and administration clerk at a general fund cost of \$59,917 in the 1987 biennium. The LFA current level budget does not provide funding for the new positions.

LIBRARY

Issue 4: Modified Request

The executive budget includes \$20,800 in increased spending authority for the library's photocopy service. The requested increase in spending authority from service fees will be used to purchase supplies and materials. The LFA

current level budget does not include the requested increase in spending authority.

MUSEUM

Issue 5: Modified Request (2.50 FTE)

The executive budget provides \$198,185 in donated funds in the 1987 biennium for renovation of the formal museum. The current level budget presents the Montana Historical Society's request for the renovation project as an issue. The historical society requested authority to hire a 1 FTE carpenter, 1 FTE cataloger, and .50 FTE graphic artist to work on the renovation. The renovation project entails building modular exhibits for the display of artifacts, some of which will be purchased from the donated funds. The Charlie Russell collection, which currently occupies the formal museum, will be relocated in the new addition to the Pioneer Building when completed.

MAGAZINE

Issue 6: Operating Expenses

The executive budget exceeds the LFA current level budget by \$18,359 in the 1987 biennium. The difference results primarily from the executive budget including an agency requested increase in contract services.

Issue 7: Modified Request (2 FTE)

The executive budget has funded an agency request for a 1 FTE store clerk and 1 FTE editor for the society's press operation at a cost of \$151,076 in the 1987 biennium. The new positions will be funded from revenue generated by the sale of books and other society press publications. The LFA current level budget does not provide funding for the new positions.

HISTORIC SITES PRESERVATION

Issue 8: Modified Request (2 FTE)

The executive budget funded an agency request to hire an archaeologist and registration assistant at a cost in personal services and operating expenses of \$149,206 in the 1987 biennium. The society is requesting the archaeologist and registration assistant to work on a backlog of requests from communities seeking nomination to the National Register of Historic Places. Funding for the positions and related operating expenses will be provided from federal historic preservation funds. The LFA current level budget does not provide funding for the requested positions and operating expenses.

ARCHIVES

Issue 9: Modified Request (.50 FTE)

The executive budget includes \$25,169 in the 1987 biennium to purchase darkroom supplies and materials, audio tapes to provide copies, and to hire a part-time cataloger (.50 FTE). The agency indicated funding for the increase in operating expenses and the new position will be provided from sales revenue. The LFA current level budget does not provide funding for the requested increase in operating expenses and the new position.

EDUCATION

Issue 10: Operating Expenses

The executive budget exceeds the LFA current level budget in general fund support for the Education Program by \$20,000 in the 1987 biennium. The difference occurs as the executive budget included more in contract services for a projected increase in printing costs and for extra tour guides to be hired in fiscal 1987. The LFA current level budget does not provide funding for the society's requested increase in contract services or for the extra tour guides.

MONTANA HISTORICAL SOCIETY

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	48.57	44.00	42.50	42.50	(8.2)
Personal Service	\$1,000,906	\$ 965,452	\$ 968,622	\$ 970,515	(1.3)
Operating Expense	528,425	548,065	487,785	487,681	(9.3)
Equipment	18,983	18,030	13,106	11,473	(33.5)
Inflation	<u>-0-</u>	<u>0-</u>	<u>26,032</u>	<u>46,457</u>	<u>--</u>
Total Operating Costs	\$1,548,314	\$1,531,547	\$1,495,545	\$1,516,126	(2.2)
Non-Operating Costs	<u>631,618</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>--</u>
Total Expenditures	<u>\$2,179,932</u>	<u>\$1,531,547</u>	<u>\$1,495,545</u>	<u>\$1,516,126</u>	<u>(18.8)</u>
<u>Fund Sources</u>					
General Fund	\$ 979,892	\$1,014,978	\$1,027,466	\$1,038,838	3.5
State Special	38,127	42,033	-0-	-0-	--
Federal Revenue	253,436	216,086	188,688	193,566	(18.5)
Other Funds Approp.	631,618	-0-	-0-	-0-	--
Proprietary Fund	<u>276,859</u>	<u>258,450</u>	<u>279,391</u>	<u>283,722</u>	<u>5.1</u>
Total Funds	<u>\$2,179,932</u>	<u>\$1,531,547</u>	<u>\$1,495,545</u>	<u>\$1,516,126</u>	<u>(18.8)</u>

The purpose of the Montana Historical Society is to acquire, preserve, and protect historical records, art, archival and museum objects, historical places, sites and monuments for the use and enjoyment of the citizens of Montana. The society maintains a library, an archive, a museum, an art gallery, publishes the state historical magazine, provides traveling educational and historical exhibits, and coordinates implementation of the National Historic Preservation Act and the State Antiquities Act.

The level of FTE decreases by 6.07 FTE or 8.2 percent from the 1985 to the 1987 biennium. The decrease results as 4.33 FTE added by budget amendment and .24 FTE added by transferring funds from operating expenses to personal services in fiscal 1984 were removed from the budget. Additionally, 1.5 FTE employed on the society's oral history project in the 1985 biennium were deleted. This project was funded from a cultural and aesthetic project grant (coal tax). The 1983 legislature asked the Historical Society to seek non-coal tax funding for this project after the 1985 biennium.

Total expenditures decrease by 18.8 percent. The decrease results primarily from budget amended expenditures and cultural and aesthetic project expenditures being removed from the budget.

ADMINISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	11.00	11.00	11.00	11.00	0.00
Personal Service	\$237,131	\$235,966	\$242,616	\$242,991	2.6
Operating Expense	123,439	149,756	135,474	137,954	0.0
Equipment	3,244	1,000	3,524	-0-	(16.9)
Inflation	-0-	-0-	1,645	6,607	--
Total Expenditures	<u>\$363,814</u>	<u>\$386,722</u>	<u>\$383,259</u>	<u>\$387,552</u>	<u>2.7</u>
Fund Sources					
General Fund	\$334,530	\$329,171	\$343,967	\$346,295	4.0
Federal Revenue	<u>29,284</u>	<u>57,551</u>	<u>39,292</u>	<u>41,257</u>	<u>(7.2)</u>
Total Funds	<u>\$363,814</u>	<u>\$386,722</u>	<u>\$383,259</u>	<u>\$387,552</u>	<u>2.7</u>

The Administration Program is responsible for purchasing, accounting and budgeting, personnel, and overall management of the Historical Society. Funding in the 1987 biennium is provided from the general fund and from private donations.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature in the appropriation. As indicated in the table, \$23,984 of the fiscal 1984 appropriation was not utilized. The majority of the unspent balance represents audits costs of \$12,775 that were not paid in fiscal 1984. The appropriation for audit costs will be expended in fiscal 1985. The balance of savings in operating costs occurred in travel. The difference in personal services occurs as the budgeted amount did not include funding for pay increases.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	11.00	11.00	0.00
Personal Service	\$236,459	\$237,131	\$ (672)
Operating Expenses	153,039	128,439	24,600
Equipment	<u>3,300</u>	<u>3,244</u>	<u>56</u>
Total Expenditures	<u>\$392,798</u>	<u>\$368,814</u>	<u>\$23,984</u>
<u>Funding</u>			
General Fund	\$337,614	\$334,530	\$ 3,084
Donated Funds	<u>55,184</u>	<u>34,284</u>	<u>20,900</u>
Total Funds	<u>\$392,798</u>	<u>\$368,814</u>	<u>\$23,984</u>

Current Level Adjustments

The increase in operating costs from fiscal 1984 to 1986 results from the following adjustments: (1) insurance costs increased from \$12,753 in fiscal 1984 to \$14,421 in each year of the 1987 biennium; (2) audit costs of \$12,264 are included in fiscal 1986; and (3) office rent increased by \$14,744 in fiscal 1987 for ten months of occupancy of a new addition to the Pioneer Building. The equipment budget provides for the purchase in fiscal 1986 of two calculators at a cost of \$350, a replacement typewriter at a cost of \$862, and four hand-held radios for security personnel at a cost of \$2,312.

LIBRARY

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	7.00	5.00	5.00	5.00	(17.00)
Personal Service	\$142,921	\$107,921	\$114,657	\$114,705	(8.5)
Operating Expense	46,640	31,462	30,062	30,062	(23.0)
Equipment	10,137	10,075	8,082	8,082	(20.0)
Inflation	-0-	-0-	2,998	4,889	--
Total Expenditures	<u>\$199,698</u>	<u>\$149,458</u>	<u>\$155,799</u>	<u>\$157,738</u>	<u>(10.2)</u>
<u>Fund Sources</u>					
General Fund	\$137,819	\$134,743	\$145,101	\$146,505	6.9
Federal Revenue	<u>61,879</u>	<u>14,715</u>	<u>10,698</u>	<u>11,233</u>	<u>(71.3)</u>
Total Funds	<u>\$199,698</u>	<u>\$149,458</u>	<u>\$155,799</u>	<u>\$157,738</u>	<u>(10.2)</u>

Major functions of the society's library include collecting, preserving, organizing, and making accessible to the public, published material concerning the history of Montana and surrounding region. Photocopy funds are included in the budget at \$7,521 in fiscal 1986 and \$7,897 in fiscal 1987. Donations are included in the budget at \$3,177 in fiscal 1986 and \$3,336 in fiscal 1987.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The difference in personal services of \$3,186 occurred as the budgeted amount did not include funding for pay increases. The society transferred salary savings of \$4,524 from the Archives Program to fund pay increases. This is the primary reason for general fund expenditures exceeding the budgeted amount by \$4,098. Two FTE (librarian II and library clerk II) were added by budget amendment to provide temporary help in cataloging the society's newspaper collections. Funding of the budget amended positions was provided from a grant from the National Endowment for the Humanities. The grant award terminates on June 30, 1985.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	5.00	5.00	0.00
Personal Service	\$108,162	\$111,348	\$ (3,186)
Operating Expenses	29,916	27,120	2,796
Equipment	9,775	9,194	581
Total Expenditures	<u>\$147,853</u>	<u>\$147,662</u>	<u>\$ 191</u>
<u>Funding</u>			
General Fund	\$133,721	\$137,819	\$ (4,098)
Federal Revenue	14,132	9,843	4,289
Total Funds	<u>\$147,853</u>	<u>\$147,662</u>	<u>\$ 191</u>
<u>Additions:</u>			
Budget Amendments	<u>-0-</u>	<u>\$ 52,036</u>	<u>\$(52,036)</u>

Current Level Adjustments

The level of FTE decrease by two or 17 percent and personal services by 8.5 percent as 2 FTE added by budget amendment in fiscal 1984 were deleted. The decrease in total expenditures also results from removing budget amended expenditures. Maintenance expenditures were increased \$3,000 in each year of the 1987 biennium for maintenance of computer equipment used in the library. The equipment budget allows for the purchase of books and other published materials representative of Montana's history.

MUSEUM

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	7.00	7.00	7.00	7.00	0.00
Personal Service	\$136,684	\$153,849	\$159,287	\$159,823	9.8
Operating Expense	63,533	53,508	49,994	50,006	(14.5)
Equipment	2,606	3,000	1,000	2,000	(46.4)
Inflation	-0-	-0-	4,497	7,334	--
Total Expenditures	<u>\$202,823</u>	<u>\$210,357</u>	<u>\$214,778</u>	<u>\$219,163</u>	<u>5.0</u>
<u>Fund Sources</u>					
General Fund	<u>\$202,823</u>	<u>\$210,357</u>	<u>\$214,778</u>	<u>\$219,163</u>	<u>5.0</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Renovation of Museum	-0-	\$101,845	-0-	\$101,842

The Museum Program is responsible for collecting, preserving, and interpreting art and artifacts representative of Montana's past. Funding is provided from the general fund.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. As indicated in the table, \$5,156 of the fiscal 1984 appropriation was not utilized. According to House Bill 902, unspent fiscal 1984 appropriation balances can be transferred into fiscal 1985 to be used in funding pay increases. The difference in personal services of \$17,502 represents vacancy savings. A museum curator position was vacant for 11 months of fiscal 1984 generating vacancy savings of 17 percent. All positions are currently filled. The difference in operating expenses of \$12,431 results from vacancy savings being transferred into operating expenses and spent in contract services.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	7.00	7.00	0.00
Personal Service	\$154,186	\$136,684	\$17,502
Operating Expenses	51,102	63,533	(12,431)
Equipment	<u>2,691</u>	<u>2,606</u>	<u>85</u>
Total Expenditures	<u>\$207,979</u>	<u>\$202,823</u>	<u>\$ 5,156</u>
<u>Funding</u>			
General Fund	<u>\$207,979</u>	<u>\$202,823</u>	<u>\$ 5,156</u>

Current Level Adjustments

Operating expenses decrease from fiscal 1984 to 1986 primarily as a result of the following adjustments: (1) expenditures for contract services were reduced \$12,431; (2) expenditures of \$536 related to filling the curator position were removed from the budget; and (3) expenditures of \$325 related to the receipt of a damaged artifact were removed from the budget. Regarding item (1) above, the society transferred salary savings into contracted services. The society requested full funding of personal services, but not a commensurate reduction in contract services. Acceptance of this agency request would result in an increase in the budget over current level.

Issue 1: Renovation of Museum

The Historical Society is requesting authority to expend donated funds of \$101,845 in fiscal 1986 and \$101,842 in fiscal 1987 for renovation of the Charlie Russell Museum. According to the Historical Society, donations of approximately \$245,000 have been committed to the renovation project of which approximately \$75,000 has been received. The amount requested in each year of the 1987 bien-nium are preliminary estimates of the cost of renovation by the Historical Society.

The Charlie Russell collection is scheduled to be moved to the new addition to the Pioneer Building when completed in fiscal 1987. The society plans to hire 2.5 FTE (1 FTE carpenter, 1 FTE museum assistant and .5 FTE graphic artist) at a personal services cost of \$53,928 in fiscal 1986 and \$53,949 in fiscal 1987 to work on the renovation. The balance of the amount requested in each fiscal year is for operating expenses. The project entails building modular exhibits for the display of artifacts, some of which will be purchased from the donated funds.

Option a: Approve the renovation project at a cost in donated funds of \$101,845 in fiscal 1986 and \$101,842 in fiscal 1987.

MAGAZINE

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	4.75	4.00	4.00	4.00	(8.60)
Personal Service	\$ 96,614	\$ 85,016	\$ 95,622	\$ 95,763	5.3
Operating Expense	217,014	210,750	206,834	207,282	(3.1)
Equipment	(1,794)	-0-	-0-	-0-	--
Inflation	-0-	-0-	12,218	19,885	--
Total Expenditures	<u>\$311,834</u>	<u>\$295,766</u>	<u>\$314,674</u>	<u>\$322,930</u>	<u>4.9</u>
<u>Fund Sources</u>					
General Fund	\$ 34,975	\$ 37,316	\$ 35,283	\$ 39,208	3.0
Proprietary Fund	<u>276,859</u>	<u>258,450</u>	<u>279,391</u>	<u>283,722</u>	<u>5.1</u>
Total Funds	<u>\$311,834</u>	<u>\$295,766</u>	<u>\$314,674</u>	<u>\$322,930</u>	<u>4.9</u>

The Magazine Program is responsible for publishing Montana the Magazine of Western History, society sponsored quarterlies, books, brochures, catalogs, prints, and other publications. Additionally, this program is responsible for the operation of the society's museum store and Merchandising Program. General fund provides 21.8 percent of the cost of publishing Montana the Magazine of Western History. The remainder is financed from magazine sales--estimated at \$137,286 in fiscal 1986 and \$141,310 in fiscal 1987. Proprietary authority of \$41,000 in each year of the 1987 biennium is provided for the publication of books and \$101,105 in fiscal 1986 and \$101,412 in fiscal 1987 is provided for the merchandising operation. The Historical Society upgraded one position in the 1985 biennium which increased the biennial cost of personal services excluding benefits by \$3,752.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The difference in FTE results from the Historical Society hiring two .25 FTE sales clerks at a personal services cost of \$5,986 for the merchandising function by transferring funds allocated for

operating expenses. The sales clerks staffed the sales counter during the summer months. The difference in operating expenses results from a savings in goods purchased for resale for the Merchandising Program. The society purchased through budget amendment \$65,000 in goods for the Merchandising Program to replenish inventory sold in fiscal 1984. The society also added .25 FTE by budget amendment at a personal services cost of \$4,866 to provide editorial assistance on a book being published by the society.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	4.00	4.50	(.50)
Personal Service	\$ 85,200	\$ 94,485	\$ (9,285)
Operating Expenses	209,744	150,213	59,531
Equipment	-0-	-0-	-0-
Total Expenditures	<u>\$294,944</u>	<u>\$244,698</u>	<u>\$ 50,246</u>
<u>Funding</u>			
General Fund	\$ 37,510	\$ 34,975	\$ 2,535
Proprietary Fund	<u>257,434</u>	<u>209,723</u>	<u>47,711</u>
Total Funds	<u>\$294,944</u>	<u>\$244,698</u>	<u>\$ 50,246</u>
<u>Additions:</u>			
Budget Amendments	<u>-0-</u>	<u>\$ 67,136</u>	<u>\$(67,136)</u>

Current Level Adjustments

The decrease in FTE of .75 or 8.6 percent results from FTE added by program transfer and budget amendment being removed from the budget. The increase in personal services of 5.3 percent results from vacancy savings in fiscal 1984 of 9.7 percent and the budgeted fiscal 1985 amount did not include funding for pay increases.

The decrease in operating expenses from fiscal 1984 to 1986 is caused primarily by removing from the budget: (1) expenditures added by budget amendment in 1984, (2) legal fees of \$2,584, and (3) expenditures of \$560 related to filling an editors position. The decrease in operating expenses resulting from the adjustments discussed above is offset by an increase in goods purchased for resale--from \$26,104 in fiscal 1984 to \$58,000 in fiscal 1986 and \$59,500 in fiscal 1987. The decrease in operating expenses from fiscal 1986 to 1987 is caused by audit costs of \$1,008 being included in fiscal 1986.

HISTORIC SITES PRESERVATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	6.00	5.00	5.00	5.00	(9.1)
Personal Service	\$128,638	\$110,481	\$116,572	\$116,729	(2.4)
Operating Expense	24,651	25,575	26,645	23,601	0.0
Equipment	640	-0-	-0-	-0-	--
Inflation	-0-	-0-	1,401	2,404	--
Total Operating Costs	\$153,929	\$136,056	\$144,618	\$142,734	(0.7)
Non-Operating Costs	631,618	-0-	-0-	-0-	--
Total Expenditures	<u>\$785,547</u>	<u>\$136,056</u>	<u>\$144,618</u>	<u>\$142,734</u>	<u>(68.8)</u>
<u>Fund Sources</u>					
General Fund	\$ 67,828	\$ 67,841	\$ 72,309	\$ 71,367	5.9
Federal Revenue	86,101	68,215	72,309	71,367	(6.8)
Other Funds Approp.	<u>631,618</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>--</u>
Total Funds	<u>\$785,547</u>	<u>\$136,056</u>	<u>\$144,618</u>	<u>\$142,734</u>	<u>(68.8)</u>

This program is responsible for implementing the National Historic Preservation Act and the State Antiquities Act. Activities include nominating sites to the National Register, reviewing tax certification projects, administering federal grants-in-aid, reviewing federal projects to determine and comment on any impacts to historic and cultural properties and coordination with local governments, state agencies, and the public on matters relating to historic preservation. The general fund provides 50 percent of the program's funding support with the remainder financed from federal historic preservation funds.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The difference in operating expenses of \$2,748 resulted primarily from a savings in communications costs of \$2,338. The balance of savings is distributed through several items. The society hired through budget amendment (federal historic preservation grant) an archaeologist (1 FTE) at a personal services cost of \$26,436 to provide technical assistance to local, state and federal agencies concerning federal grant compliance on the use of Federal Emergency Jobs Bill funds. Operating expenses were increased by approximately \$1,290 by the budget amendment. The State Historic

Preservation Office acted as a pass-through agency for \$621,469 in Federal Emergency Jobs Bill grants in fiscal 1984. These funds were spent through administrative appropriation.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	5.00	5.00	0.00
Personal Service	\$110,740	\$110,275	\$ 465
Operating Expenses	26,133	23,361	2,748
Equipment	-0-	501	(501)
Total Expenditures	<u>\$136,849</u>	<u>\$134,137</u>	<u>\$ 2,712</u>
<u>Funding</u>			
General Fund	\$ 68,325	\$ 67,828	\$ 497
Federal Revenue	68,524	66,309	2,215
Total Funds	<u>\$136,849</u>	<u>\$134,137</u>	<u>\$ 2,712</u>
<u>Additions:</u>			
Budget Amendments	<u>-0-</u>	<u>\$651,410</u>	<u>\$(651,410)</u>

Current Level Adjustments

The level of FTE decreases by 9.1 percent as a 1 FTE archaeologist added by budget amendment in fiscal 1984 has been deleted. The decrease in personal services also results from deletion of the budget amended position and from 4 percent vacancy savings in fiscal 1986 and fiscal 1987.

The following adjustments were made to operating expenses: (1) rent expense on office space was increased from \$720 in fiscal 1984 to \$1,161 in fiscal 1987 for ten months of occupancy of the new addition to the Pioneer Building; (2) expenditures of \$146 related to hiring a secretarial position in fiscal 1984 were removed from the budget. Total expenditures decrease by 68.7 percent as grant and operating expenditures added by budget amendment in fiscal 1984 have been removed from the budget. The decrease in operating expenses from fiscal 1986 to 1987 results as \$3,528 is included in fiscal 1986 for audit costs.

ARCHIVES

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	10.32	9.50	8.00	8.00	(19.3)
Personal Service	\$221,418	\$224,053	\$191,938	\$192,336	(13.7)
Operating Expense	26,900	24,519	12,523	12,523	(51.2)
Equipment	3,849	3,955	500	1,391	(75.7)
Inflation	-0-	-0-	1,051	1,716	---
Total Expenditures	<u>\$252,167</u>	<u>\$252,527</u>	<u>\$206,012</u>	<u>\$207,966</u>	<u>(17.9)</u>
<u>Fund Sources</u>					
General Fund	\$189,088	\$203,758	\$195,287	\$196,705	(0.2)
State Special	38,127	42,033	-0-	-0-	--
Federal Revenue	<u>24,952</u>	<u>6,736</u>	<u>10,725</u>	<u>11,261</u>	<u>(30.6)</u>
Total Funds	<u>\$252,167</u>	<u>\$252,527</u>	<u>\$206,012</u>	<u>\$207,966</u>	<u>(17.9)</u>

This program is responsible for collecting, preserving, organizing, and making accessible to the public, unpublished material relevant to Montana's history. Also included in this program is the society's oral history project funded from a cultural and aesthetic project grant. In the 1987 biennium, general fund provides 95 percent of the funding support. The remainder of funding support of \$10,725 in fiscal 1986 and \$11,261 in fiscal 1987 represents revolving fund authority associated with the costs of producing and selling photographs.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. As indicated in the table, \$11,174 of the fiscal 1984 appropriation was not utilized. The Historical Society transferred the savings in operating expenses to the Administration and Library Programs to fund pay increases. The savings in operating expenses occurred primarily in supplies and materials. The expenditure in donated funds of \$15,084 was added by budget amendment (.82 FTE were added). Expenditures of \$38,127 for the society's oral history project are presented in the other category. This program employs 1.5 FTE.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	8.00	8.00	0.00
Personal Service	\$189,174	\$187,169	\$ 2,005
Operating Expenses	16,781	8,603	8,178
Equipment	4,175	3,184	991
Total Expenditures	<u>\$210,130</u>	<u>\$198,956</u>	<u>\$ 11,174</u>
<u>Funding</u>			
General Fund	\$203,465	\$189,088	\$ 14,377
Federal Revenue	6,665	9,868	(3,203)
Total Funds	<u>\$210,130</u>	<u>\$198,956</u>	<u>\$ 11,174</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 15,084	\$ (15,084)
Other Legislation	-0-	\$ 38,127	\$ (38,127)

Current Level Adjustments

The decrease in FTE of 19.3 percent and personal services of 13.7 percent results from .82 FTE added by budget amendment and 1.5 FTE employed on the oral history project being deleted.

Operating expenses decrease by 51.2 percent as a result of expenditures added by budget amendment being removed from the budget. Additionally, \$38,127 in expenditures for the oral history project were removed from the budget.

EDUCATION

<u>Budget Item</u>	<u>Actual</u> <u>Fiscal</u> <u>1984</u>	<u>Appropriated</u> <u>Fiscal</u> <u>1985</u>	<u>---Current Level---</u>		<u>% Change</u> <u>1985-87</u> <u>Biennium</u>
			<u>Fiscal</u> <u>1986</u>	<u>Fiscal</u> <u>1987</u>	
F.T.E	2.50	2.50	2.50	2.50	0.00
Personal Service	\$37,500	\$ 48,166	\$47,930	\$48,168	12.1
Operating Expense	26,248	52,495	26,253	26,253	(33.3)
Equipment	301	-0-	-0-	-0-	--
Inflation	-0-	-0-	2,222	3,622	--
Total Expenditures	<u>\$64,049</u>	<u>\$100,661</u>	<u>\$76,405</u>	<u>\$78,043</u>	<u>(6.2)</u>
<u>Fund Sources</u>					
General Fund	\$12,829	\$ 31,792	\$20,741	\$19,595	(9.6)
Federal Revenue	<u>51,220</u>	<u>68,869</u>	<u>55,664</u>	<u>58,448</u>	<u>(4.9)</u>
Total Funds	<u>\$64,049</u>	<u>\$100,661</u>	<u>\$76,405</u>	<u>\$78,043</u>	<u>(6.2)</u>

This program is responsible for providing exhibits and materials using society resources and expertise to schools, museums, libraries, and other public institutions throughout the state. Additionally, capitol tours are administered from this program. Funding is provided from the general fund and donations.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. As indicated in the table, \$32,006 of the fiscal 1984 appropriation was not utilized. According to House Bill 902, unspent fiscal 1984 appropriation balances can be transferred into fiscal 1985 to fund pay increases. The difference in personal services of \$12,522 represents vacancy savings on 1.50 FTE tour guide positions. The savings in operating expenses occurs in contracted services (\$3,882), communications (\$1,992), and travel (\$9,593). The balance of savings in operating expenses is distributed through several items.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	2.50	2.50	0.00
Personal Service	\$50,022	\$37,500	\$12,522
Operating Expenses	44,983	26,248	18,735
Equipment	1,050	301	749
Total Expenditures	<u>\$96,055</u>	<u>\$64,049</u>	<u>\$32,006</u>
<u>Funding</u>			
General Fund	\$29,495	\$12,829	\$16,666
Federal Revenue	66,560	51,220	15,340
Total Funds	<u>\$96,055</u>	<u>\$64,049</u>	<u>\$32,006</u>

Current Level Adjustments

Personal services increase by 12.1 percent as a result of approximately 25 percent vacancy savings in fiscal 1984. Additionally, the budgeted fiscal 1985 amount did not include funding for pay increases.

Operating expenses decrease by 33.3 percent as a result of the savings in operating expenses in fiscal 1984 of \$18,735. The general fund decreases by 9.6 percent as a result of the savings in operating expenses and from 4 percent vacancy savings being applied to personal services.

STATE LIBRARY COMMISSION

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	25.50	\$1,251,149	\$3,939,049
LFA Current Level	25.50	1,026,204	3,071,816
Executive Over (Under) LFA	<u>0.00</u>	<u>\$ 244,945</u>	<u>\$ 867,233</u>

The executive budget exceeds the LFA current level in general fund and total funds by \$244,945 and \$867,233, respectively. The following issues reflect the major differences between the executive and LFA current level.

Issue 1: Grants

The executive budget exceeds the current level analysis in grants by approximately \$713,000 in the 1987 biennium--coal tax grants by \$114,000 and federal LSCA grants by \$599,000. The difference in federal grants occurs as the executive requests duplicate authority for fiscal 1984 and 1985 grants in the 1987 biennium. This results in a double counting of federal grants in the executive budget. The LFA current level includes only the unexpended balance of fiscal 1984 and 1985 federal grants.

Issue 2: Modified Requests

The executive budget provided general fund replacement of federal LSCA funds in the Physically Handicapped Program at a cost of \$122,270 in the 1987 biennium. The library requested general fund replacement so federal funds could be used to automate a catalog system in the first year of the biennium. In the second year of the 1987 biennium, the released federal funds would be used for grants to public libraries. The current level analysis does not provide general fund replacement of federal LSCA funds in the Physically Handicapped Program. Grants are estimated to increase by 11.5 percent from the 1985 to 1987 biennium in the current level analysis.

The executive budget provided \$60,721 in general fund for the Washington Library Network (WLN). The library requested the funds to (1) add an additional telephone line to provide more prompt service to patrons, (2) replace the current Hazeltine computer with an IBM-PC, and (3) subscribe to new bibliographic services WLN will be offering. The current level analysis discusses the library's request as an issue.

Issue 3: Funding

Excluding modified requests, the current level analysis is under the executive in general fund by \$45,000 in the 1987 biennium. The difference occurs as federal LSCA and coal tax funds used for state library operations increase with inflation in the current level analysis.

MONTANA STATE LIBRARY COMMISSION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	25.50	25.50	25.50	25.50	0.00
Personal Service	\$ 549,014	\$ 536,723	\$ 560,307	\$ 561,361	3.3
Operating Expense	300,679	355,061	313,382	303,886	(5.8)
Equipment	97,853	86,856	88,381	88,449	(2.2)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>13,230</u>	<u>31,251</u>	--
Total Operating Costs	\$ 947,546	\$ 978,640	\$ 975,300	\$ 984,947	1.7
Non-Operating Costs	<u>501,313</u>	<u>495,000</u>	<u>567,298</u>	<u>544,271</u>	<u>11.5</u>
Total Expenditures	<u>\$1,448,859</u>	<u>\$1,473,640</u>	<u>\$1,542,598</u>	<u>\$1,529,218</u>	<u>5.1</u>
<u>Fund Sources</u>					
General Fund	\$ 527,185	\$ 551,136	\$ 519,670	\$ 506,534	(4.8)
State Special	414,026	559,944	448,104	446,175	(8.1)
Federal Revenue	<u>507,648</u>	<u>362,560</u>	<u>574,824</u>	<u>576,509</u>	<u>32.3</u>
Total Funds	<u>\$1,448,859</u>	<u>\$1,473,640</u>	<u>\$1,542,598</u>	<u>\$1,529,218</u>	<u>5.1</u>

The Montana State Library provides direct library services to state government agencies, to persons residing in the state institutions, and to the blind and physically handicapped public of Montana. Indirect services are provided to all public libraries by providing grants to six regional library federations. The state library serves as a partial federal depository and also collects state government publications.

Funding support for the library is provided from general fund, an earmarked portion of the coal severance tax (.5 percent) and federal funding available under the Library Services and Construction Act (LSCA). Total funding increases by 5.1 percent. The decrease in general fund of 4.8 percent from the 1985 to the 1987 biennium results as LSCA funds and coal tax funds used for state library operations increase with inflation in the budget. The 1983 legislature provided \$49,461 in general fund for an anticipated decrease in LSCA and coal tax funds used for operating costs. The decrease in federal funding did not occur.

The library reorganized in the 1985 biennium. Functions changed within four existing programs and one new program was started. Current programs include Reference and Information Services, Library Development, Institutional

Library Services, Blind and Physically Handicapped, Administration, and Technical Services. The last program was created from the reorganization. The Reference and Information Program was previously known as the General Services Program. Each program is discussed in the following sections. The following table presents FTE changes by program. The Blind and Physically Handicapped Program is not included in the table as no FTE changes occurred from the reorganization. The library reorganized to better account for costs associated with services provided. No new services or FTE were added from the reorganization.

Table 1
FTE Changes Resulting from Reorganization
1985 Biennium

<u>Reference and Information:</u>		<u>FTE</u>
Authorized by 1983 Legislature		7.00
Increase:	Library Clerk II from Library Development	3.00
	Librarian I from Library Development	.40
	Librarian II from Administration*	.16
	Library Technician I from Institutional Services	.60
Decrease:	Manager I to Library Development	(1.00)
	Library Clerk I to Administration	(.16)
	Library Technician I to Technical Services	(1.00)
	Library Clerk II to Technical Services	(2.00)
	Librarian II to Technical Services	(.50)
Requested Fiscal 1986 and 1987		6.50
		=====
<u>Library Development:</u>		
Authorized by 1983 Legislature		4.50
Increase:	Manager I from Reference and Information	1.00
	Manager I from Institutional Services	.50
	Library Technician I from Institutional Services	.40
Decrease:	Librarian III to Reference and Information	(.40)
	Library Clerk II to Reference and Information	(3.00)
Requested Fiscal 1986 and 1987		3.00
		=====
<u>Institutional Services:</u>		
Authorized by 1983 legislature		4.00
Decrease:	Library Technician I to	
	Reference and Information	(.60)
	Library Technician I to Library Development	(.40)

Table 1 - Continued
FTE Changes Resulting from Reorganization
1985 Biennium

	FTE
Manager I to Library Development	(.50)
Librarian II to Technical Services	(.50)
Requested Fiscal 1986 and 1987	2.00
	=====
<u>Administration:</u>	
Authorized by 1983 Legislature	5.00
Increase:	
Library Clerk I from	
Reference and Information	.16
Reallocate from Accounting Specialist	
to Library Clerk I*	.34
Decrease:	
Accounting Specialist I*	(.50)
File Clerk IV to Technical Services	(1.00)
Requested Fiscal 1986 and 1987	4.00
	=====
<u>Technical Services:</u>	
New Program	0.00
Increase:	
Library Technician I from	
Reference and Information	1.00
Library Clerk II from	
Reference and Information	2.00
Librarian II from Reference and	
Information	.50
Librarian II from Institutional Services	.50
File Clerk IV from Administration	1.00
Requested Fiscal 1986 and 1987	5.00
	=====

*An accounting specialist position in the Administration Program was decreased by .50 FTE-- .34 FTE reallocated within the same program to a library clerk position and .16 FTE to a librarian position in reference and information.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table presents a comparison of actual fiscal 1984 expenditures to those anticipated by the 1983 legislature in the appropriation. As indicated in

the table, total operating costs were \$20,511 less than anticipated by the legislature. According to House Bill 902, unspent appropriation balances can be transferred into fiscal 1985 to be used in funding pay increases. The difference in personal services results as the budgeted amount of \$537,906 did not include funding for pay increases. The library transferred a portion of the savings in operating expenses to fund pay increases. The difference in operating expenses occurs primarily in contracted services (\$15,544) and communications (\$11,587) with the balance distributed through several items. The library transferred \$8,885 from operating expenses to buy additional equipment not budgeted. The difference in non-operating costs of \$27,775 represents a decrease in grants to library federations funded from the coal severance tax. The library received additional federal funds of \$146,442 in fiscal 1984, the majority of which is made up of \$92,299 in Title II construction and remodeling grants. Of the \$146,442 received, the library spent \$140,088 in grants to public libraries. Total grants to public libraries funded from state and federal revenues was \$501,313 in fiscal 1984, an increase of 29 percent over the anticipated level of \$389,000.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	25.50	25.50	0.00
Personal Services	\$ 537,906	\$ 549,014	\$ (11,108)
Operating Expenses	341,183	300,679	40,504
Equipment	88,968	97,853	(8,885)
Total Operating Costs	\$ 968,057	\$ 947,546	\$ 20,511
Non-Operating Costs	389,000	361,225	27,775
Total Expenditures	<u>\$1,357,057</u>	<u>\$1,308,771</u>	<u>\$ 48,286</u>
<u>Funding</u>			
General Fund	\$ 539,229	\$ 527,185	\$ 12,044
State Special	450,268	414,026	36,242
Federal Revenue	367,560	367,560	-0-
Total Funds	<u>\$1,357,057</u>	<u>\$1,308,771</u>	<u>\$ 48,286</u>
<u>Additions:</u>			
Statutory Appropriations	<u>-0-</u>	<u>\$ 140,088</u>	<u>\$(140,088)</u>

REFERENCE AND INFORMATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	6.34	6.50	6.50	6.50	1.2
Personal Service	\$138,817	\$136,895	\$141,986	\$142,290	3.1
Operating Expense	147,777	172,089	154,045	154,045	(3.6)
Equipment	77,664	74,200	77,664	77,664	2.2
Inflation	-0-	-0-	5,081	15,886	--
Total Expenditures	<u>\$364,258</u>	<u>\$383,184</u>	<u>\$378,776</u>	<u>\$389,885</u>	<u>2.8</u>
Fund Sources					
General Fund	\$254,266	\$275,502	\$257,454	\$262,646	(1.8)
State Special	19,173	13,403	20,832	21,874	31.0
Federal Revenue	<u>90,819</u>	<u>94,279</u>	<u>100,490</u>	<u>105,365</u>	<u>11.2</u>
Total Funds	<u>\$364,258</u>	<u>\$383,184</u>	<u>\$378,776</u>	<u>\$389,885</u>	<u>2.8</u>

This program provides (1) housing for Montana State Library collections other than materials for blind and physically handicapped patrons and those collections housed in state institutions, (2) identification and lending of library materials owned by the state library, (3) answers to general reference questions for specific subject areas, (4) bibliographies of materials available in specific subject areas, and (5) interlibrary loan services. Funding is provided from the general fund, coal severance tax, and federal LSCA funds. The latter two fund sources are used to support operating expenses related to service to public libraries.

Current Level Adjustments

The level of FTE increases by 1.2 percent from the 1985 to the 1987 biennium as a result of the reorganization. The library transferred .16 FTE from the Administration Program in fiscal 1985 (refer to Table 1). The increase in personal services of 3.1 percent results as the fiscal 1985 amount did not include funding for pay increases. Rent expense was increased from \$93,334 to \$101,222 to reflect actual fiscal 1985 cost. The equipment budget allows for the purchase of books and reference materials in the 1987 biennium.

LIBRARY DEVELOPMENT PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	3.00	3.00	3.00	3.00	0.00
Personal Service	\$ 86,087	\$ 86,007	\$ 90,247	\$ 90,371	4.9
Operating Expense	42,310	44,567	37,840	37,340	(13.4)
Equipment	2,458	-0-	-0-	-0-	--
Inflation	-0-	-0-	2,832	4,602	--
Total Operating Costs	\$130,855	\$130,574	\$130,919	\$132,313	0.6
Non-Operating Costs	501,313	495,000	567,298	544,271	11.5
Total Expenditures	<u>\$632,168</u>	<u>\$625,574</u>	<u>\$698,217</u>	<u>\$676,584</u>	<u>9.3</u>
Fund Sources					
General Fund	\$ 42,753	\$ 40,538	\$ 38,169	\$ 34,775	(12.4)
State Special	360,157	518,552	389,565	384,709	(11.8)
Federal Revenue	<u>229,258</u>	<u>66,484</u>	<u>270,483</u>	<u>257,100</u>	<u>78.3</u>
Total Funds	<u>\$632,168</u>	<u>\$625,574</u>	<u>\$698,217</u>	<u>\$676,584</u>	<u>9.3</u>

The Library Development Program provides for administration of state and federal pass-through grants and for consultation, advice and public information services to public libraries. Funding is provided from the general fund, coal severance tax, and federal LSCA funds.

Current Level Adjustments

Personal services increase by 4.9 percent from the 1985 to the 1987 biennium. The increase results from the fiscal 1985 amount not including funding for pay increases. The decrease in operating expenses results as the agency transferred a \$3,000 contract with a non-profit organization to the Administration Program.

The decrease in general fund of 12.4 percent results from the decrease in operating expenses mentioned above and from an increase in federal funds used in support of operations of 4.5 percent from fiscal 1985 to 1986 and 5 percent from fiscal 1986 to 1987. The following table presents the amount of coal severance tax and federal LSCA funds used for operations of the state library and grants to public libraries in fiscal 1984 and projected amounts for fiscal 1986 and 1987. Grants are projected to increase by 11.5 percent from the 1985 to the 1987 biennium. Grants funded from the coal severance tax are projected to increase by

8.1 percent from fiscal 1984 to 1986 and then decrease by 1.4 percent from fiscal 1986 to 1987. Grants funded from federal LSCA funds are projected to increase by 25.1 percent from fiscal 1984 to 1986 and then decrease by 9.6 percent from fiscal 1986 to 1987. The increase in federal grants results from an increase in federal LSCA Title I and II funds of 8.2 percent from fiscal 1984 to 1986.

Table 2
Operating Expenses and Grants Funded from the
Coal Severance Tax and LSCA Funds
1987 Biennium

Year	-----Coal Severance Tax-----			-----LSCA Funds-----		
	Operations	Grants	Total	Operations	Grants	Total
1984	\$61,170	\$352,849	\$414,019	\$358,071	\$148,464	\$506,535
1986	66,480	381,624	448,104	389,150	185,674	574,824
1987	69,804	376,371	446,175	408,609	167,900	576,509

INSTITUTIONAL LIBRARY SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	2.00	2.00	2.00	2.00	0.00
Personal Service	\$45,377	\$41,811	\$46,103	\$46,122	5.7
Operating Expense	8,275	15,608	8,525	8,525	(28.6)
Equipment	9,855	11,000	9,855	9,855	(5.4)
Inflation	-0-	-0-	1,321	2,301	--
Total Expenditures	<u>\$63,507</u>	<u>\$68,419</u>	<u>\$65,804</u>	<u>\$66,803</u>	<u>0.5</u>
<u>Fund Sources</u>					
General Fund	\$18,031	\$18,831	\$16,381	\$14,909	(15.1)
Federal Revenue	<u>45,476</u>	<u>49,588</u>	<u>49,423</u>	<u>51,894</u>	<u>6.5</u>
Total Funds	<u>\$63,507</u>	<u>\$68,419</u>	<u>\$65,804</u>	<u>\$66,803</u>	<u>0.5</u>

This program provides library services to residents of state institutions by contract through the nearest public library or directly from the Montana State Library. Funding is provided from the general fund and from federal LSCA funds.

Current Level Adjustments

Personal services increase by 5.7 percent. The increase results as the fiscal 1985 amount of \$41,811 does not include funding for pay increases. Operating expenses were increased \$250 in each year of the 1987 biennium for printing a brochure to be distributed to new residents of Montana's institutions informing them of the library's services. The equipment budget allows for the purchase of library materials for Galen, Montana State Prison, Women's Correctional Facility, Warm Springs State Hospital, Mountain View School, Boulder River School and Hospital, and the Pine Hills School. The decrease in general fund of 16 percent results as federal funds increase with inflation, while program expenditures remain level in the 1987 biennium.

SERVICES FOR PHYSICALLY HANDICAPPED

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	5.00	5.00	5.00	5.00	0.00
Personal Service	\$ 90,993	\$ 90,289	\$ 95,640	\$ 95,991	5.7
Operating Expense	39,501	49,807	40,157	40,157	(10.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>(826)</u>	<u>667</u>	<u>--</u>
Total Expenditures	<u>\$130,494</u>	<u>\$140,096</u>	<u>\$134,971</u>	<u>\$136,815</u>	<u>0.4</u>
Fund Sources					
General Fund	\$ 52,190	\$ 53,563	\$ 49,868	\$ 47,457	(7.9)
Federal Revenue	<u>78,304</u>	<u>86,533</u>	<u>85,103</u>	<u>89,358</u>	<u>5.8</u>
Total Funds	<u>\$130,494</u>	<u>\$140,096</u>	<u>\$134,971</u>	<u>\$136,815</u>	<u>0.4</u>

This program provides direct library service to blind and physically handicapped citizens through selection of recorded materials and provision of machines on which to play talking books. Funding is provided from the general fund and federal LSCA funds.

Current Level Adjustments

The increase in personal services of 5.7 percent results as the fiscal 1985 amount does not include funding for pay and there were vacancy savings in fiscal 1984. The negative inflation in fiscal 1986 results from an anticipated decrease in rent charged by the Department of Administration.

ADMINISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	4.16	4.00	4.00	4.00	(2.0)
Personal Service	\$ 96,887	\$ 93,727	\$ 99,165	\$ 99,206	4.0
Operating Expense	31,854	40,144	41,853	32,857	3.7
Equipment	626	1,656	862	930	(21.4)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>2,060</u>	<u>3,342</u>	<u>--</u>
Total Expenditures	<u>\$129,367</u>	<u>\$135,527</u>	<u>\$143,940</u>	<u>\$136,335</u>	<u>5.8</u>
<u>Fund Sources</u>					
General Fund	\$ 94,651	\$ 99,819	\$106,210	\$ 96,718	4.3
Federal Revenue	<u>34,716</u>	<u>35,708</u>	<u>37,730</u>	<u>39,617</u>	<u>9.8</u>
Total Funds	<u>\$129,367</u>	<u>\$135,527</u>	<u>\$143,940</u>	<u>\$136,335</u>	<u>5.8</u>

Functions within this program include: (1) administration of all library programs, (2) mail processing, (3) budgeting and accounting, (4) personnel administration, and (5) administration of state and federal policies and regulations. Funding is provided from the general fund and federal LSCA funds.

Current Level Adjustments

The level of FTE decreases by 2 percent from the 1985 to the 1987 biennium as the library transferred .16 FTE to the Reference and Information Program in fiscal 1985 (refer to Table 1). The increase in personal services of 4 percent results as the fiscal 1985 amount does not include funding for pay increases. The increase in operating expenses results primarily from \$9,000 in audit costs being included in fiscal 1986. In fiscal 1984, the library spent only \$1,143 for audit costs out of an \$8,000 appropriation. The balance of the appropriation will be expended in fiscal 1985. Additionally, \$3,000 in expenditures relating to a contract with the Western Council of State Libraries was transferred into this program from the Library Development Program. The budget provides \$3,000 in each year of the 1987 biennium for continuance of the contract. The council is engaged in developing a western regional networking system to provide bibliographic services to state libraries in the western states. The equipment budget provides for the purchase of one replacement typewriter in each year.

TECHNICAL SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	5.00	5.00	5.00	5.00	0.00
Personal Service	\$ 90,853	\$ 87,994	\$ 87,166	\$ 87,381	(2.4)
Operating Expense	30,962	32,846	30,962	30,962	(2.9)
Equipment	7,250	-0-	-0-	-0-	--
Inflation	<u>-0-</u>	<u>-0-</u>	<u>2,762</u>	<u>4,453</u>	<u>--</u>
Total Expenditures	<u>\$129,065</u>	<u>\$120,840</u>	<u>\$120,890</u>	<u>\$122,796</u>	<u>(2.4)</u>
Fund Sources					
General Fund	\$ 65,294	\$ 62,883	\$ 51,588	\$ 50,029	(20.7)
State Special	34,696	27,989	37,707	39,592	23.3
Federal Revenue	<u>29,075</u>	<u>29,968</u>	<u>31,595</u>	<u>33,175</u>	<u>9.6</u>
Total Funds	<u>\$129,065</u>	<u>\$120,840</u>	<u>\$120,890</u>	<u>\$122,796</u>	<u>(2.4)</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
ISSUE: Cost (Savings)	General Fund		Other Funds	General Fund	Other Funds
1. Washington Library Network	\$10,083		\$-0-	\$1,247	\$-0-

Technical services is a new program established during reorganization in fiscal 1984. Functions of this program include distribution of state publications, acquisition, cataloging and technical processing of Montana State Library and institutional library collections, and development and maintenance of the state library's participation in the Washington Library Network. Funding is provided from the general fund and from federal LSCA funds.

Current Level Adjustments

The decrease in personal services of 2.4 percent results from 4 percent vacancy savings being applied and funding for pay increases is not included. The decrease in total expenditures of 2.4 percent results as no equipment was requested in fiscal 1986 and 1987.

The decrease in general fund of 20.7 percent results from the adjustments discussed above and from federal funds increasing with inflation in the budget.

Issue 1: Washington Library Network (WLN)

The library is requesting \$29,052 in fiscal 1986 and \$29,530 in fiscal 1987 for (1) a projected increase in telecommunication costs of 30 percent in fiscal 1985,

(2) replacement of the current Hazeltine computer with an IBM personal computer, and (3) access to a new interlibrary loan feature of the network which will be operational in fiscal 1985, according to WLN. The Washington Library Network is replacing their existing Hazeltine computers with IBM PC's. According to the state library, they will need to convert over to an IBM PC by December of 1986 in order to maintain access to the network as their present computer will be incompatible with WLN's IBM PC. The following table indicates the minimum costs necessary to provide continued access to the Washington Library Network. According to the library, a minimum of \$11,330 is needed in the 1987 biennium to maintain access to WLN.

Table 3
Additional Costs of Maintaining Access to WLN
Fiscal 1986 and 1987

<u>Item</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Increased Communications Cost	\$ 1,173	\$1,247
Cost of Replacing Hazeltine with IBM PC	<u>8,910</u>	<u>-0-</u>
Total Costs	\$10,083 =====	\$1,247 =====

Option 1: Increase operating expenses by \$1,173 in fiscal 1986 and \$1,247 in fiscal 1987 and equipment by \$8,910 in fiscal 1986 to provide continued access to the Washington Library Network. This option will increase the general fund by \$10,083 in fiscal 1986 and \$1,247 in fiscal 1987.

Option 2: Do not add this item to the budget.

BOARD OF REGENTS

	FTE <u>FY '87</u>	- - - - 1987 Biennium - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	N/A	\$50,458	\$50,458
LFA Current Level	<u>N/A</u>	<u>49,885</u>	<u>49,885</u>
Executive Over (Under) LFA	<u>N/A</u>	<u>\$ 573</u>	<u>\$ 573</u>

The executive budget exceeds the current level in general fund and total funds by \$573 in the 1987 biennium. The difference in each fiscal year occurs primarily as the executive budget has included more for supplies and materials.

BOARD OF REGENTS

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	N/A	N/A	N/A	N/A	N/A
Personal Service	\$ 5,525	\$ 4,350	\$ 5,525	\$ 5,525	11.9
Operating Expense	18,914	21,740	18,209	18,209	(10.4)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>888</u>	<u>1,529</u>	<u>--</u>
Total Expenditures	<u>\$24,439</u>	<u>\$26,090</u>	<u>\$24,622</u>	<u>\$25,263</u>	<u>(1.3)</u>
<u>Fund Sources</u>					
General Fund	<u>\$24,439</u>	<u>\$26,090</u>	<u>\$24,622</u>	<u>\$25,263</u>	<u>(1.3)</u>

The Board of Regents is responsible for the coordination management, supervision, and control of the university system.

Per diem and travel comprise 75 percent of the budget. The budget allows for 13 meetings of approximately two days in duration in each year of the 1987 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation.

The following table compares actual expenditures in fiscal 1984 with those anticipated in the appropriation for the Board of Regents.

<u>Budget Item</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	N/A	N/A	N/A
Personal Services	\$ 4,350	\$ 5,525	\$(1,175)
Operating Expenses	<u>20,644</u>	<u>18,914</u>	<u>1,730</u>
Total Costs and General Fund	<u>\$24,994</u>	<u>\$24,439</u>	<u>\$ 555</u>

The difference in personal services of \$1,175 results from the Board of Regents spending more in per diem than was budgeted. Several board members were paid per diem during travel to and from meetings which resulted in actual expenditures for per diem exceeding the budgeted amount by \$1,175.

COMMISSIONER OF HIGHER EDUCATION

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	30.59	\$5,794,652	\$14,187,580
LFA Current Level	<u>28.50</u>	<u>5,682,291</u>	<u>13,765,281</u>
Executive Over (Under) LFA	<u><u>2.09</u></u>	<u><u>\$ 112,361</u></u>	<u><u>\$ 422,299</u></u>

The executive budget exceeds current level in the 1987 biennium by \$112,361 in general fund and \$422,299 in total funds. The following issues reflect the major differences between the executive and current level.

ADMINISTRATION

Issue 1: Rent

The executive budget exceeds the current level in operating expenses by \$18,471 in fiscal 1986 and \$2,125 in fiscal 1987. The difference results from the executive including \$16,137 more for office rent in each year of the 1987 biennium. Office rent is presented as an issue in the current level analysis. The executive did not allow inflation in most budget items, which reduced the difference between the executive and the LFA current level in the second year of the biennium.

STUDENT ASSISTANCE

Issue 2: WICHE

The executive budget exceeds the current level analysis in funding support for WICHE by \$119,150 in fiscal 1986 and \$70,750 in fiscal 1987. The executive has funded the Commissioner of Higher Education's request for 146 students in fiscal 1986 and 144 in fiscal 1987. The current level has funded 136.5 students, which is the actual fiscal 1984 enrollment. The increase in student enrollment requested by the Commissioner of Higher Education is presented as an issue in the current level analysis.

Issue 3: Funding

Executive estimates of interest from the Education Trust Fund (coal tax) exceed the LFA estimates by \$115,798 in the 1987 biennium.

TALENT SEARCH

Issue 4: Operating Expenses

The executive budget exceeds the current level analysis in the 1987 biennium by approximately \$4,000 in contract services, \$4,000 in travel, and \$9,000 in indirect costs. As the funding level of this program is uncertain in the 1987 biennium, the current level does not include agency requested adjustments to the aforementioned budget items.

MONTANA CAREER INFORMATION SYSTEM

Issue 5: Modified Request

The executive has provided funding for an additional 1.09 FTE, an information analyst and MBA coordinator, at a personal services cost of \$24,953 in fiscal 1986 and \$24,964 in fiscal 1987. These positions were added by budget amendment in the 1985 biennium. The current level does not include funding for the positions as the level of federal funding for the Montana Career Information System is uncertain in the 1987 biennium.

GUARANTEED STUDENT LOAN

Issue 6: Operating Expenses

The executive budget exceeds the current level analysis in the 1987 biennium in contract services by \$30,000 and out-of-state travel by \$11,000. The difference in contract services is caused primarily from inflation being applied to a contract with the United Student Aid Fund (USAF) in the executive budget. The contract with USAF is based upon a formula and is not subject to inflation. The executive has funded an agency requested increase in out-of-state travel. Current level does not include additional funds for out-of-state travel.

Issue 7: Modified Request

The executive has included funding for 1 FTE lender reviewer at a personal services cost of \$39,778 in fiscal 1986 and \$40,174 in fiscal 1987. Current level does not include funding for the lender reviewer.

COMMISSIONER OF HIGHER EDUCATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	29.14	28.50	28.50	28.50	(1.1)
Personal Service	\$ 865,726	\$ 862,813	\$ 887,591	\$ 889,144	2.7
Operating Expense	744,796	1,258,179	1,194,238	1,234,720	21.2
Equipment	9,668	3,044	12,894	307	3.8
Inflation	<u>-0-</u>	<u>-0-</u>	<u>14,827</u>	<u>23,607</u>	<u>--</u>
Total Operating Costs	\$1,620,190	\$2,124,036	\$2,109,550	\$2,147,778	13.7
Non-Operating Costs	<u>4,171,019</u>	<u>4,641,880</u>	<u>4,671,775</u>	<u>4,836,178</u>	<u>7.0</u>
Total Expenditures	<u>\$5,791,209</u>	<u>\$6,765,916</u>	<u>\$6,781,325</u>	<u>\$6,983,956</u>	<u>9.0</u>
Fund Sources					
General Fund	\$3,069,665	\$2,913,212	\$2,892,874	\$2,789,417	(5.0)
State Special	1,686,455	2,294,805	2,360,457	2,626,760	25.2
Federal Revenue	<u>1,035,089</u>	<u>1,557,899</u>	<u>1,527,994</u>	<u>1,567,779</u>	<u>19.4</u>
Total Funds	<u>\$5,791,209</u>	<u>\$6,765,916</u>	<u>\$6,781,325</u>	<u>\$6,983,956</u>	<u>9.0</u>

The Commissioner of Higher Education's budget consists of the administration budget for the commissioner's office, student assistance budget, and budgets for three federal programs administered by the commissioner's office.

The decrease in FTE of 1.1 percent results as the Montana Career Information System added .64 FTE in fiscal 1984, which is not in the current level budget. The increase in operating expenses of 21.2 percent results primarily from an increase in operating expenses for the Guaranteed Student Loan Program of 35.3 percent. The general fund decreases by 5 percent as interest earnings from the education coal tax trust fund assumes a greater portion of the funding support of the Student Assistance Program.

ADMINISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	15.60	15.60	15.60	15.60	0.00
Personal Service	\$561,825	\$572,593	\$585,889	\$587,105	3.4
Operating Expense	\$186,654	202,000	196,617	189,277	(0.7)
Equipment	1,931	1,544	394	307	(79.8)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>8,656</u>	<u>13,310</u>	<u>--</u>
Total Expenditures	<u>\$750,410</u>	<u>\$776,137</u>	<u>\$791,556</u>	<u>\$789,999</u>	<u>3.6</u>

Fund Source

General Fund	<u>\$750,410</u>	<u>\$776,137</u>	<u>\$791,556</u>	<u>\$789,999</u>	<u>3.6</u>
--------------	------------------	------------------	------------------	------------------	------------

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Rent Expense	\$16,137	-0-	\$16,137	-0-

The administration budget provides funding for the major functions of the Commissioner of Higher Education's Office. Functions of this office include coordination of units of the university system in regards to academic planning and curriculum review, budgetary planning and control, legal services, and labor negotiation policies and procedures.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table presents a comparison of actual fiscal 1984 expenditures to budgeted expenditures by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	15.60	15.60	0.00
Personal Services	\$563,061	\$561,825	\$ 1,236
Operating Expenses	201,315	186,654	14,661
Equipment	<u>1,500</u>	<u>1,931</u>	<u>(431)</u>
Total Cost & General Fund	<u>\$765,876</u>	<u>\$750,410</u>	<u>\$15,466</u>

As indicated in the table, the administration budget did not utilize \$15,466 of their appropriation in fiscal 1984. This may be transferred into fiscal 1985 and used to fund pay increases. The difference in personal services of \$1,236

represents vacancy savings. The difference in operating expenses of \$14,661 results primarily from \$9,504 not being utilized in contracted services. The balance of savings in operating expenses was distributed through several items.

Current Level Adjustments

Personal services expenditures increase by 3.4 percent. The increase is caused by vacancy savings in fiscal 1984.

Repair and maintenance expenditures were increased by \$4,380 in each year of the 1987 biennium for maintenance of two word processors.

The decrease in operating expenses from fiscal 1986 to 1987 results from audit costs of \$7,351 being included in fiscal 1986. Audit costs for this program were \$8,000 in fiscal 1984 which included audit costs for three federal programs. The decrease results from the exclusion of audit costs for the three federal programs.

Issue 1: Rent Expense

The current lease agreement on the commissioner's office building expires on May 1, 1985. The private lessor has submitted a proposal that the base rent be raised from the current rate of \$6.20 per square foot to \$8.50 per square foot plus the commissioner would pay \$6,500 each year for contracted janitorial services as the lessor will no longer provide this service.

The following table presents a comparison of proposed lease agreements for the Department of State Lands which is located in the USF&G Building on 11th Avenue and the commissioner's office which is located at 33 South Last Chance Gulch. The proposed lease with the Department of State Lands was chosen for the comparison as (1) the current lease has expired and a rent increase is being negotiated and (2) the USF&G Building is comparable to the commissioner's office in terms of age and square feet rented. Additionally, under both lease agreements the lessor only provides parking. Each agency must pay for heat, air conditioning, electricity, and janitorial services.

Table 1
Comparison of Proposed Lease Agreements for the Department
of State Lands and the Commissioner of Higher Education

<u>Lease</u>	-----Proposed 1987 Biennium-----	
	<u>State Lands</u>	<u>Commissioner</u>
Square Feet	15,600 ^a	9,900
Rent Per Square Foot	\$7.33 ^b	\$9.16 ^c

^aApproximate square footage. The department indicated that the lessor recently completed a new addition which added approximately 2,800 square feet to their existing office space of 12,800 square feet.

^bIncludes 88 cents per square foot for janitorial services provided by lessor.

^cIncludes 66 cents per square foot for janitorial services to be contracted for by the commissioner.

As indicated in Table 1, the proposed rental rate for the commissioner's office is \$1.83 more per square foot than the rental rate currently being negotiated by the Department of State Lands for comparable office space. On the 9,900 square feet rental, this represents a difference of \$18,117 per year. A cost comparison of the commissioner's budget request for rent to current level represents a difference of \$16,137 per year.

Option a: Approve the commissioner's request for \$9.16 per square foot. This option would result in an additional general fund cost of \$16,137 in each year of the 1987 biennium.

Option b: Appropriate rent at the current level rate. This would require the commissioner to renegotiate the lease or seek different office space.

STUDENT ASSISTANCE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
WICHE Dues	\$ 50,000	\$ 53,000	\$ 53,000	\$ 56,000	5.8
WICHE	1,761,834	1,902,667	1,888,950	1,938,950	4.5
WAMI	1,618,507	1,767,423	1,853,635	1,938,938	12.0
Minnesota Rural Dentistry	147,000	168,000	140,400	166,500	(2.6)
State Work Study	222,058	290,790	290,790	290,790	13.4
Student Incentive Grants	316,456	385,000	385,000	385,000	9.8
NDSL	<u>55,164</u>	<u>75,000</u>	<u>60,000</u>	<u>60,000</u>	<u>(7.8)</u>
Total Expenditures	<u>\$4,171,019</u>	<u>\$4,641,880</u>	<u>\$4,671,775</u>	<u>\$4,836,178</u>	<u>7.9</u>
Fund Sources:					
General Fund	\$2,319,255	\$2,137,075	\$2,101,318	\$1,999,418	(8.0)
State Special Revenue	1,686,455	2,294,805	2,360,457	2,626,760	25.3
Federal Revenue	<u>165,309</u>	<u>210,000</u>	<u>210,000</u>	<u>210,000</u>	<u>11.9</u>
Total Funds	<u>\$4,171,019</u>	<u>\$4,641,880</u>	<u>\$4,671,775</u>	<u>\$4,836,178</u>	<u>7.9</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Fund
1. WICHE Increased Enrollment	\$ 119,150	-0-	\$ 64,650	-0-
2. Phase-out Rural Dentistry				
Option a: Discontinue	\$ (43,200)	-0-	\$ (88,800)	-0-
Option b: Partially Fund	\$ (21,600)	-0-	\$ (44,400)	-0-
3. State Work Study-Discontinue	\$(290,790)	-0-	\$(290,790)	-0-

Student Assistance Programs include the interstate student programs of WICHE, WAMI, and Minnesota Rural Dentistry. Fees paid by Montana through the interstate student programs to out-of-state institutions allow students to attend at resident tuition rates. Also included in the student assistance budget are the state funded College Work Study Program and the federal student assistance programs of State Student Incentive Grants (SSIG), and the National Direct Student Loan Program (NDSL).

Interstate Student Assistance Programs

WICHE is a cooperative program between 13 western states offering advanced degrees in selected medical disciplines. Attendance in WICHE programs can be at a number of different campuses in the 13 states. Although students applying for assistance under the WICHE Program are generally given preference by accepting schools, they are not given a guarantee of admission.

WAMI is a cooperative medical program with the states of Washington, Alaska, Montana, and Idaho. Montana students take their first year of medical school at Montana State University and the remainder at the University of Washington. According to the bilateral agreement with the University of Washington, 20 Montana students are guaranteed admission for each year of the 1987 biennium. The cost per student for the 60 continuing students at the University of Washington is \$28,393 in fiscal 1986 and \$29,709 in fiscal 1987.

The Minnesota Rural Dentistry Program (MRD) is offered at the University of Minnesota. Four Montana students are guaranteed admission in each year of the 1987 biennium. The cost per student is the same as the negotiated rate for WICHE--\$10,800 in fiscal 1986 and \$11,100 in fiscal 1987. The main table indicates a decrease in expenditures for MRD of 2.6 percent because the commissioner's office indicated that 13 students will be supported in fiscal 1985 instead of the budgeted level of 16. The three student drop in budgeted enrollment will lower the cost of the Rural Dentistry Program in fiscal 1985 from the budgeted level of \$168,000 to \$136,500. Using this revised fiscal 1985 cost, total expenditures for MRD increase by 8.3 percent from the 1985 to 1987 biennium.

Table 2 presents the cost per student and the total cost by discipline for fiscal years 1986 and 1987 for WICHE, WAMI, and Minnesota Rural Dentistry. Additionally, the table indicates the number of students supported by discipline. As indicated in the table, the major cost programs are the Medicine Program in WAMI and the Medicine and Veterinary Medicine Programs in WICHE. The three programs account for 85 percent of the total cost and 71 percent of the enrollment.

Table 2
Interstate Student Programs - Cost Per Student, Total Cost,
and Number of Students Supported by Discipline
Fiscal 1986-1987

<u>Program</u>	<u>Cost Per Student</u>	<u>Number of Students</u>	<u>Total Cost</u>
----- Fiscal 1986-----			
WICHE			
Administration Dues	N/A	N/A	\$ 53,000
Student Assistance:			
Medicine	\$21,500	38	817,000
Osteopathic Medicine	9,700	4	38,800
Dentistry	10,800	12	144,000
Veterinary Medicine	13,900	50.5	701,950
Optometry	5,900	24	141,600
Occupational Therapy	3,800	1	3,800
Public Health	5,000	3	15,000
Podiatry	6,700	4	26,800
Subtotal		136.5	\$1,941,950
WAMI	28,393	60	1,853,635
Minnesota Rural Dentistry	10,800	13	140,400
Total		<u>209.5</u>	<u>\$3,935,985</u>
----- Fiscal 1987-----			
WICHE			
Administration Dues	N/A	N/A	\$ 56,000
Student Assistance:			
Medicine	\$22,000	38	836,000
Osteopathic Medicine	9,900	4	39,600
Dentistry	11,100	12	148,000
Veterinary Medicine	14,300	50.5	722,150
Optometry	6,100	24	146,400
Occupational Therapy	3,900	1	3,900
Public Health	5,100	3	15,300
Podiatry	6,900	4	27,600
Subtotal		136.5	\$1,994,950
WAMI	29,709	60.0	1,938,938
Minnesota Rural Dentistry	11,100	15	166,500
Total		<u>211.5</u>	<u>\$4,100,388</u>

Other Student Assistance Programs

The 1983 legislature appropriated \$290,790 in each year of the 1985 biennium to fund a state work study program. Funding for the program was provided from the general fund in fiscal 1984 and from university millage in fiscal 1985. Payment of student earnings is based on a 70 to 30 (state to employer) ratio. The six units of the university system and the community colleges provided the 30 percent match from campus resources.

State Student Incentive Grants (SSIG) and the National Direct Student Loan Program (NDSL) are federal student aid programs. The state provides a 50 percent match on SSIG--\$175,000 in each year of the 1987 biennium. The state provides a 10 percent match on NDSL of \$60,000 in each year of the 1987 biennium.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares actual fiscal 1984 expenditures to budgeted expenditures by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
WICHE	\$1,840,317	\$1,811,834	\$ 28,483
WAMI	1,636,332	1,618,507	17,825
Minnesota Rural Dentistry	168,000	147,000	21,000
Work Study	290,790	222,058	68,732
SSIG	385,000	316,456	68,544
NDSL	75,000	55,164	19,836
Total	<u>\$4,395,439</u>	<u>\$4,171,019</u>	<u>\$224,420</u>
<u>Funding</u>			
General Fund	\$2,470,501	\$2,319,255	\$151,246
Coal Tax Interest	1,714,938	1,686,455	28,483
Federal Revenue	210,000	165,309	44,691
Total	<u>\$4,395,439</u>	<u>\$4,171,019</u>	<u>\$224,420</u>

As indicated in the table, the student assistance budget did not use \$224,420 in fiscal 1984 resulting in a general fund savings of \$151,246. The savings resulted from (1) two less students were funded through WICHE than budgeted at a savings of \$11,633. Additionally, \$16,580 (net) was received in scholarships and student fees which resulted in a savings in support fees paid by the state, (2) more was paid by WAMI students in fees than was budgeted resulting in less being paid in support fees by the state, (3) two less MRD students were funded than budgeted, (4) the state work study program

expenditures were \$68,732 less than appropriated, and (5) reduced federal funding for SSIG and NDSL resulted in reduced state matching requirements of \$23,853 for SSIG and \$19,836 for NDSL.

Current Level Adjustments

The state general fund share of the Student Assistance Program decreases by 8 percent as interest earned from the trust fund assumes a greater portion of the funding support. Estimates of interest earned from the trust fund are \$2,360,457 in fiscal 1986 and \$2,626,760 in fiscal 1987.

Total expenditures for student assistance increase by 8 percent from the 1985 biennium. The primary cause of the increase is an increase in the support fees paid by the state for students supported through WICHE and WAMI, and savings in all programs in fiscal 1984.

Expenditures for SSIG are projected to increase by 10 percent from the 1985 to the 1987 biennium commensurate with an increase in federal revenue.

General fund support for NDSL decreases by 8 percent from the 1985 to the 1987 biennium. The decrease results from reduced federal support for the program lowering the required state match.

Issue 1: WICHE Funding Over Current Level

The amount in current level for WICHE represents the actual fiscal 1984 enrollment of 136.5 students funded at the fiscal 1986 and 1987 support rates. As indicated in Table 3, the commissioner's office is requesting funding for an increase in WICHE enrollment of 9.5 students in fiscal 1986 at a cost of \$119,150 and an increase of 6.5 students in fiscal 1987 at a cost of \$64,650.

Table 3
WICHE - Cost Comparison of Commissioner of
Higher Education's Request to Current Level
1987 Biennium

<u>Budget</u>	<u>-----Fiscal 1986-----</u>		<u>-----Fiscal 1987-----</u>	
	<u>Number of Students</u>	<u>Cost</u>	<u>Number of Students</u>	<u>Cost</u>
Commissioner's Request	146.0	\$2,008,100	143.0	\$2,003,600
Current Level	136.5	1,888,950	136.5	1,938,950
Difference	<u>9.5</u>	<u>\$ 119,150</u>	<u>6.5</u>	<u>\$ 64,650</u>

Option a: Increase current level enrollment by 9.5 students in fiscal 1986 and by 6.5 students in fiscal 1987. The general fund cost is \$119,150 in fiscal 1986 and \$64,650 in fiscal 1987.

Issue 2: Phase-out the Rural Dentistry Program

The state may want to phase-out support of students in the Minnesota Rural Dentistry Program. Such action may be justified as: (1) the state ratio of practicing dentists to population is high when compared to other WICHE region sending states and the nation as a whole; and (2) the federal government projects a surplus of dentists in relation to demand for the next 15 years.

Table 4 presents the number of practicing dentists (non-federal) per 100,000 population for the states of Alaska, Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming. These states were chosen as each does not maintain its own dental school and, therefore, must send students out-of-state for their dental education. The table also indicates each state's ratio compared to the national average (expressed as a percentage) and how each state ranks nationally in practicing dentists per 100,000 population.

Montana is the third highest in WICHE "sending" states. The number of practicing dentists per 100,000 population is 62. Montana ranks 14th nationally in practicing dentists per 100,000 population and is 113 percent of the national average of 55.

Table 4
WICHE Sending States - Comparison of Practicing Dentists
to National Average and National Ranking
1982^a

State	Practicing Dentists Per 100,000 Population	Percent of National Average ^c	National Ranking
Alaska	61	111	16
Arizona	45	82	38
Colorado	63	115	11
Idaho	53	96	24
Montana ^b	62	113	14
Nevada	43	78	40
New Mexico	45	82	38
Utah	63	115	11
Wyoming	48	87	32

^aSource: Statistical Abstracts of the United States 1984, 104th Edition, U.S. Department of Commerce, Bureau of Census, p.p. 110.

^bMontana tied with the states of Maryland and California in ranking of 14.

^cNational average is 55.

According to manpower projections by the United States Department of Health and Human Services, the supply of dentists will exceed demand until at least the year 2000. If the department of health's projections are accurate, it indicates that the state's ratio of practicing dentists to population will remain high as the state will be able to attract as many dentists as demand will support.

Table 5 indicates the cost savings that would result from phasing-out the Minnesota Rural Dentistry Program. The cost savings of not funding four beginning Minnesota Rural Dentistry students in fiscal 1986 is \$43,200. In fiscal 1987, there would be a reduction of four beginning and four continuing rural dentistry students at a cost savings of \$88,800. Funding of WICHE dental students is not affected, nor are any students currently in the Rural Dentistry Program disrupted.

Table 5
Cost Savings of Phasing Out of Minnesota Rural Dentistry
Fiscal 1986 - 1987

Students	- - -Number of Students- - -		- - - - - Cost - - - - -	
	Current Level	Phase-Out	Current Level	Phase-Out
Beginning	4	0	\$ 43,200	\$ -0-
Continuing	9	9	97,200	97,200
Total	<u>13</u>	<u>9</u>	<u>\$140,400</u>	<u>\$97,200</u>

Savings from Phase-Out--Fiscal 1986 \$43,200

Students	- - -Number of Students- - -		- - - - - Cost - - - - -	
	Current Level	Phase-Out	Current Level	Phase-Out
Beginning	4	0	\$ 44,400	\$ -0-
Continuing	11	7	122,100	77,700
Total	<u>15</u>	<u>7</u>	<u>\$166,500</u>	<u>\$77,700</u>

Savings from Phase-Out--Fiscal 1987 \$88,800

Option a: Phase-out the Rural Dentistry Program. This option would save \$132,000 of general fund in the 1987 biennium.

Option b: Reduce the number of beginning rural dentistry students from four to two in each year of the 1987 biennium. This option would result in a general fund savings of \$21,600 in fiscal 1986 and \$44,400 in fiscal 1987.

Issue 3: Discontinue State Work Study Program

The 1983 legislature appropriated \$290,790 in each year of the 1985 biennium to fund a State College Work Study Program. The 1983 legislature based the appropriation in fiscal 1984 and 1985 on a projected drop in federal work study funds from fiscal 1982 to 1983 of \$290,790. The projected drop in federal work study funds did not occur as is indicated in Table 6. Furthermore, \$140,214 of the federal work study allocation was not utilized in fiscal 1984.

Table 6
Federal Work Study Expenditures in the Montana University System
Federal Work Study Expenditures for the Montana University System and
Community Colleges
Fiscal 1982-1984*

<u>University Unit</u>	<u>Fiscal 1982</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>
Western Montana College	\$ 183,047	\$ 155,147	\$ 198,325
Northern Montana College	66,911	46,006	64,516
Eastern Montana College	249,247	256,261	260,300
Montana College of Mineral Science and Technology	88,392	87,754	93,551
Montana State University	453,696	615,619	706,596
University of Montana	782,654	798,995	705,201
Miles Community College	7,153	5,913	7,203
Dawson Community College	16,366	13,786	18,764
Flathead Community College	32,955	25,310	33,368
Total	<u>\$1,880,421</u>	<u>\$2,004,791</u>	<u>\$2,087,824</u>

*Source: SBAS fiscal year-end reports for units of the university system and phone survey of community colleges.

As indicated in Table 6, federal work study expenditures increased by \$124,370 or 7 percent between fiscal 1982 to 1983 for units of the Montana University System and the community colleges. Federal work study expenditures in fiscal 1984 represent an increase from fiscal 1983 of \$83,033 or 4 percent.

The federal work study authorization in fiscal 1985 is \$2,094,042. Actual expenditures may exceed this amount as the university units and the community

colleges can transfer 10 percent of their 1984 authorization forward one year. Therefore, the amount of federal work study funds not utilized in fiscal 1984 can be transferred into fiscal 1985 to be spent.

In conclusion, the 1983 legislature based the 1985 biennium appropriation for the State Work Study Program on a projected decrease in federal funding of \$290,790. The projected decrease did not occur. Federal work study expenditures have been increasing rather than decreasing.

Option a: Discontinue funding of the State Work Study Program. This would save general fund of \$290,790 in fiscal 1986 and \$290,790 in fiscal 1987.

Option b: Continue to fund the State Work Study Program.

TALENT SEARCH

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.F.	6.00	6.00	6.00	6.00	0.00
Personal Service	\$110,181	\$107,175	\$116,063	\$116,112	6.8
Operating Expense	31,615	32,825	33,073	32,839	2.2
Inflation	-0-	-0-	1,735	2,955	--
Total Expenditures	<u>\$141,796</u>	<u>\$140,000</u>	<u>\$150,871</u>	<u>\$151,906</u>	<u>7.4</u>
<u>Fund Sources</u>					
Federal Revenue	<u>\$141,796</u>	<u>\$140,000</u>	<u>\$150,871</u>	<u>\$151,906</u>	<u>7.4</u>

Talent Search is a federal program which provides career and financial aid counseling to students who are low income, physically handicapped, or culturally deprived and who need to complete high school or plan to enroll in post secondary training. In fiscal 1984, the Talent Search Program provided counseling services to the communities of Browning, Great Falls, Lake Deer, Poplar, Ronan, and the Crow Agency.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table presents a comparison of actual expenditures for fiscal 1984 to budgeted expenditures by the 1983 legislature. As indicated in the table, actual expenditures exceeded the budget by \$13,396 in fiscal 1984. This results as additional federal spending authority of \$13,396 was approved by budget amendment. According to the Office of Commissioner of Higher Education, the

additional federal spending authority allowed the Talent Search Program to serve approximately 100 additional clients in fiscal 1984.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	6.00	6.00	0.00
Personal Services	\$107,681	\$ 96,785	\$ 10,896
Operating Expenses	<u>20,719</u>	<u>31,615</u>	<u>(10,896)</u>
Total Costs & Federal Revenue	<u>\$128,400</u>	<u>\$128,400</u>	<u>-0-</u>
<u>Additions:</u>			
Budget Amendments	<u>-0-</u>	<u>\$ 13,396</u>	<u>\$(13,396)</u>

Current Level Adjustments

Personal services increased by 6.8 percent from the 1985 biennium to the 1987 biennium. The increase is due to: (1) the employment contract for the 4.5 counselors employed by Talent Search being increased from a nine-month contract to an eleven-month contract and (2) the budgeted amount for personal services in fiscal 1985 does not include the pay plan.

The decrease in operating expenses from fiscal 1986 to 1987 results from audit costs of \$235 being included in fiscal 1986.

MONTANA CAREER INFORMATION SYSTEM

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u> <u>1985-87</u> <u>Biennium</u>
	<u>Fiscal</u> <u>1984</u>	<u>Fiscal</u> <u>1985</u>	<u>Fiscal</u> <u>1986</u>	<u>Fiscal</u> <u>1987</u>	
F.T.E.	4.64	4.00	4.00	4.00	(7.4)
Personal Service	\$101,129	\$ 93,125	\$ 90,645	\$ 90,680	(6.6)
Operating Expense	64,441	96,875	49,042	48,778	(39.3)
Equipment	1,135	-0-	3,000	-0-	164.3
Inflation	<u>-0-</u>	<u>-0-</u>	<u>2,510</u>	<u>4,197</u>	<u>--</u>
Total Expenditures	<u>\$166,705</u>	<u>\$190,000</u>	<u>\$145,197</u>	<u>\$143,655</u>	<u>(19.0)</u>
<u>Fund Sources</u>					
Federal Revenue	<u>\$166,705</u>	<u>\$190,000</u>	<u>\$145,197</u>	<u>\$143,655</u>	<u>(19.0)</u>

Montana Career Information System provides detailed information on education and career opportunities for individuals who want to continue their training or education after high school.

Funding in fiscal 1984 was provided from user fees of \$20,125, a federal vocational-education grant from the Office of Public Instruction of \$36,582, and federal funding provided under the Job Training Partnership Act of \$109,998.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table presents a comparison of actual expenditures for fiscal 1984 to budgeted expenditures by the 1983 legislature. As indicated in the table, actual expenditures were less than budgeted by \$7,504 in fiscal 1984. The difference in personal services of \$4,452 results from .64 FTE being added by transferring amounts from operating expenses and equipment.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.F.	4.00	4.64	.64
Personal Services	\$ 96,677	\$101,129	\$(4,452)
Operating Expenses	70,832	64,441	6,391
Equipment	6,700	1,135	5,565
Total Costs & Federal Revenue	<u>\$174,209</u>	<u>\$166,705</u>	<u>\$ 7,504</u>

Current Level Adjustments

The decrease in FTE of 7.4 percent and in personal services of 6.6 percent results from the .64 FTE added in fiscal 1984 not being included in the current level budget.

The decrease in operating expenses of 39.3 percent in the 1987 biennium results primarily from computer processing services being reduced from \$24,318 in fiscal 1984 to \$5,000 in each year of the 1987 biennium as per the agency's budget request. The \$5,000 budgeted for computer processing will be used to contract with the National Career Information System (NCIS) for software maintenance services. The decrease in operating expenses from fiscal 1986 to 1987 results from audit costs of \$234 being included in fiscal 1986.

The amount budgeted for equipment in fiscal 1986 of \$3,000 allows for the purchase of peripheral hardware for the agency's computer.

GUARANTEED STUDENT LOAN

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	2.90	2.90	2.90	2.90	0.00
Personal Service	\$ 92,591	\$ 89,920	\$ 94,994	\$ 95,247	4.2
Operating Expense	462,086	926,479	915,506	963,826	35.3
Equipment	6,602	1,500	9,500	-0-	17.2
Inflation	-0-	-0-	1,926	3,145	--
Total Expenditures	<u>\$561,279</u>	<u>\$1,017,899</u>	<u>\$1,021,926</u>	<u>\$1,062,218</u>	<u>31.9</u>
<u>Fund Sources</u>					
Federal Revenue	<u>\$561,279</u>	<u>\$1,017,899</u>	<u>\$1,021,926</u>	<u>\$1,062,218</u>	<u>31.9</u>

The Guaranteed Student Loan Program provides low interest loans to students. Approximately 172 private lenders currently participate in the program. Maintenance of current level services is contingent upon the receipt of federal/private funds.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares actual expenditures for fiscal 1984 to budgeted expenditures by the 1983 legislature. As indicated in the table, the Guaranteed Student Loan Program did not utilize \$111,871 of their fiscal 1984 appropriation. This results primarily as the volume of student loans was less than anticipated.

Budget Item	Legislature	Actual	Difference
F.T.E.	2.90	2.90	0.00
Personal Services	\$104,650	\$ 92,591	\$ 12,059
Operating Expenses	567,000	462,086	104,914
Equipment	1,500	6,602	(5,102)
Total Costs & Federal Revenue	<u>\$673,150</u>	<u>\$561,279</u>	<u>\$111,871</u>

Current Level Adjustments

The increase in personal services of 4.2 percent results as the budgeted amount for fiscal 1985 does not include the pay plan. Also, there were vacancy savings in fiscal 1984.

The primary cause of the increase in current level services of 31.9 percent results from the reserve for student defaults being increased from \$142,000 in fiscal 1984 to \$500,000 in each year of the 1987 biennium. The increase in the reserve is based upon a projected increase in student loan defaults. The reserve is used to reimburse private lenders for loans in default. A claim is then submitted by the Guaranteed Student Loan Program to the federal government for reimbursement. The budget includes \$1,680 in fiscal 1986 for audit costs. The amount budgeted for equipment in fiscal 1986 of \$9,500 would allow for the purchase of a computer terminal and printer.

COMMUNITY COLLEGES

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	N/A	\$7,032,775	\$13,269,384
LFA Current Level	N/A	6,586,959	12,400,024
Executive Over (Under) LFA	<u>N/A</u>	<u>\$ 445,816</u>	<u>\$ 869,360</u>

The executive budget exceeds the current level by \$445,816 in general fund and \$869,360 in total funds. The following issues reflect the major difference between the executive budget and current level.

Issue 1: Student Enrollments

The executive budget is higher than current level in general fund and total funds because the executive estimates of student enrollment for the three community colleges are higher than current level by 133 in fiscal 1986 and 213 in fiscal 1987. The following table presents a college by college comparison of executive estimates of student enrollment to current level. The major difference between the executive and current level enrollment estimates occurs at Dawson Community College where the executive has estimated higher student enrollments by 100 FTE in fiscal 1986 and 145 FTE in fiscal 1987.

Table 1
Comparison of Executive Estimates of Student Enrollment (FTE) to Current Level
1987 Biennium

College	- - - - Fiscal 1986 - - - -			- - - - Fiscal 1987 - - - -		
	Executive	Current Level	Executive Over(Under) Current Level	Executive	Current Level	Executive Over(Under) Current Level
Dawson	500	400	100	545	400	145
Miles	462	464	(2)	462	464	(2)
Flathead	885	850	35	920	850	70
Total	<u>1,847</u>	<u>1,714</u>	<u>133</u>	<u>1,927</u>	<u>1,714</u>	<u>213</u>

Issue 2: Cost Factor

The executive used lower cost factors which partially offsets the executive's higher enrollment estimates. The following table presents a comparison of cost

factors used in the executive budget to current level. Executive cost factors are lower than the current level by \$67 per student in fiscal 1986 and \$117 per student in fiscal 1987. The executive did not allow inflation in the cost factor between fiscal 1986 and 1987. Current level cost factors allow for inflation between fiscal 1986 and 1987 in all expenditures other than personal services.

Table 2
Student Cost Factors--Comparison of Executive to Current Level
1987 Biennium

	Student Cost Factors	
	Fiscal <u>1986</u>	Fiscal <u>1987</u>
Executive	\$3,516	\$3,516
Current Level	<u>3,583</u>	<u>3,633</u>
Executive Over(Under) Current Level	<u>\$_(67)</u>	<u>\$(117)</u>

COMMUNITY COLLEGES

<u>Expenditure by College</u>	<u>Actual</u> <u>1984</u>	<u>Appropriated</u> <u>Fiscal</u> <u>1985</u>	<u>- - LFA Current Level - -</u> <u>Fiscal</u> <u>1986^a</u>	<u>Fiscal</u> <u>1987</u>	<u>% Change</u> <u>Biennium</u> <u>1985-1987</u>
Dawson	\$ 678,627	\$ 736,200	\$ 770,196	\$ 770,196	8.9
Miles	1,035,573	1,068,407	891,731	893,427	(15.2)
Flathead	<u>1,414,040</u>	<u>1,521,670</u>	<u>1,624,742</u>	<u>1,636,667</u>	<u>11.1</u>
Total	<u>\$3,128,240</u>	<u>\$3,326,277</u>	<u>\$3,286,669</u>	<u>\$3,300,290</u>	<u>2.1</u>
<u>Fund Source</u>					
General Fund	<u>\$3,128,240</u>	<u>\$3,326,277</u>	<u>\$3,286,669</u>	<u>\$3,300,290</u>	<u>2.1</u>

^aThe general fund budget for each community college includes \$10,600 for audit costs which is 53 percent of the total audit costs estimated for each college of \$20,000.

Montana has three community colleges located in Miles City, Kalispell, and Glendive. The three community colleges were organized under the provisions of Sections 20-15-202 and 20-15-203, MCA. The Board of Regents, pursuant to Section 20-15-103, MCA, is responsible for overall supervision and coordination. Actual control of each community college rests with a board of trustees elected from each community college district.

The three community colleges received \$40,778 from House Bill 902 in fiscal 1984 for pay increases. The budgeted amount for fiscal 1985 includes \$81,556 from House Bill 902.

Fiscal 1984: Comparison of Actual to Budgeted Enrollment

The following table compares actual fiscal 1984 enrollment to the level budgeted by the 1983 legislature. As indicated in the table, actual FTE in fiscal 1984 were 118 FTE below the level funded by the 1983 legislature with the major difference occurring at Miles Community College. Actual fiscal 1984 FTE at Miles were 116 FTE below the level funded by the 1983 legislature which resulted in Miles receiving \$204,421 more in general fund than was justified by unrestricted student enrollment. The difference in enrollment at Miles results as student enrollment at three Indian community colleges are not counted in the unrestricted FTE in Miles enrollment. The three out-of-district centers are the Fort Peck Community College at Poplar, Dull Knife Memorial Community College at Lambe Deer, and the Little Big Horn Community College at the Crow Agency near Hardin. Fiscal 1984 student enrollment funded by the 1983 legislature at Miles

included enrollment from the three out-of-district centers.

Table 1
Comparison of Anticipated and Actual Community College Enrollment
Fiscal 1984

<u>College</u>	<u>Fiscal 1984 Legislature</u>	<u>Fiscal 1984 Actual</u>	<u>Difference</u>
Dawson	380	387	(7)
Miles	580	464	116
Flathead	<u>792</u>	<u>783</u>	<u>9</u>
Total Enrollment	<u>1,752</u>	<u>1,634</u>	<u>118</u>

Funding Formula

The total unrestricted budgets for the community colleges are generated by a formula approved by the 1981 legislature in which projected student enrollment (FTE) is multiplied by a cost factor. The total budget is then multiplied by 53 percent to determine the general fund allocation. The remaining 47 percent of the formula calculated budget is financed from a combination of sources including student tuition and fees, interest income, indirect cost reimbursements, and a mandatory levy on the community college district.

Student enrollment is projected to increase system-wide by 4.9 percent from fiscal 1984 to 1986 with enrollment remaining constant in the second year of the 1987 biennium. Enrollment projections by the Legislative Fiscal Analyst's Office are based upon fiscal 1985 fall enrollment increases for Dawson and Flathead Valley Community Colleges. Flathead Valley Community College opened a new educational center in Lincoln county in fiscal 1985 which according to Flathead, will increase student enrollment by 30 FTE. Fiscal 1985 fall enrollment at Miles Community College did not show any increase over the fiscal 1984 level. Therefore, Miles' student enrollment is projected to remain constant at the fiscal 1984 level of 464.

The cost factor or average expenditure per student includes the average cost of instruction, academic support, student services, institutional support, and operation and maintenance of plant. The fiscal 1986 and 1987 cost factors were derived by applying inflation to the fiscal 1984 cost factor of \$3,325.

The general fund allocation for Dawson Community College in the 1987 biennium is a 8.9 percent increase over the 1985 biennium. The increase results

from a projected increase of 2.6 percent in student enrollment over the level funded by the legislature in the 1985 biennium. Miles Community College experiences a 15.2 percent decrease in general fund support from the 1985 biennium as student enrollments associated with the three out-of-district centers are not included in enrollment estimates for fiscal 1986 and 1987. Funding of the reduced enrollment at Miles will cause a reduction in services in the 1987 biennium. The general fund allocation for Flathead Valley Community College increases by 11.1 percent from the 1985 to 1987 biennium. The increase in general fund at Flathead results from a projected increase of 5 percent in student enrollment over the level funded by the legislature in the 1985 biennium. Budgeted cost factors and enrollments are shown in Table 2.

Table 2
Calculation of the Community College Unrestricted Budgets
Fiscal 1986 and 1987

----- Fiscal 1986 -----									
College	FTE		Cost Factor		Total Unrestricted Budget		% State Support		General Fund
Dawson	400	x	\$3,583	=	\$1,433,200	x	53	=	\$ 759,596
Miles	464	x	\$3,583	=	1,662,512	x	53	=	881,131
Flathead	850	x	\$3,583	=	3,045,550	x	53	=	1,614,142
Total	<u>1,714</u>				<u>\$6,141,262</u>				<u>\$3,254,869</u>
----- Fiscal 1987 -----									
Dawson	400	x	\$3,633	=	\$1,453,200	x	53	=	\$ 770,196
Miles	464	x	\$3,633	=	1,685,712	x	53	=	893,427
Flathead	850	x	\$3,633	=	3,088,050	x	53	=	1,636,667
Total	<u>1,714</u>				<u>\$6,226,962</u>				<u>\$3,300,290</u>

The mandatory levy for each community college district is calculated by subtracting, from the total unrestricted budget, general fund, tuition and fees, and other unrestricted sources of revenues. Table 3 presents for each community college the budgeted fiscal 1984 mandatory levy and the projected amount for fiscal 1986 and 1987. The mandatory levy for Dawson is projected to increase by 14.8 percent from fiscal 1984 to 1986 and by 1.7 percent from fiscal 1986 to 1987.

The increase in the mandatory levy for Dawson results from a projected increase in student enrollment. The mandatory levy for Miles decreases by 15.6 percent from fiscal 1984 to 1986 as student enrollment declines. There is an increase from fiscal 1986 to 1987 of 1.3 percent. The mandatory levy for Flathead increases by 20 percent from fiscal 1984 to 1986 and by 1.5 percent from fiscal 1986 to 1987 as student enrollment increases.

Table 3
Calculation of Mandatory Mill Levies
Fiscal 1984, 1986, and 1987

College	Budgeted Fiscal 1984	----- Projected -----	
		Fiscal 1986	Fiscal 1987
Dawson:			
Total Unrestricted Budget	\$ 1,280,428	\$1,433,200	\$ 1,453,200
Less: General Fund	(678,627)	(759,596)	(770,196)
Tuition and Fees ^a	(102,500)	(107,000)	(107,064)
Other ^b	(19,000)	(15,000)	(15,000)
Mandatory Levy	<u>\$ 480,301</u>	<u>\$ 551,604</u>	<u>\$ 560,940</u>
Miles:			
Total Unrestricted Budget	\$ 1,953,911	\$ 1,662,512	\$ 1,685,712
Less: General Fund	(1,035,573)	(881,131)	(893,427)
Tuition and Fees ^a	(172,610)	(147,919)	(147,919)
Other ^b	(76,045)	(68,000)	(71,500)
Mandatory Levy	<u>\$ 669,683</u>	<u>\$ 565,462</u>	<u>\$ 572,866</u>
Flathead:			
Total Unrestricted Budget	\$ 2,651,738	\$ 3,045,550	\$ 3,088,050
Less: General Fund	(1,414,040)	(1,614,142)	(1,636,667)
Tuition and Fees ^a	(232,000)	(216,613)	(216,613)
Other ^b	(13,000)	(23,000)	(25,000)
Mandatory Levy	<u>\$ 992,698</u>	<u>\$ 1,191,795</u>	<u>\$ 1,209,770</u>

^aEstimates provided by community colleges adjusted for enrollment.

^bEstimates provided by community colleges.

AGRICULTURAL EXPERIMENT STATION

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	294.29	\$12,686,709	\$18,516,230
LFA Current Level	<u>291.70</u>	<u>11,287,785</u>	<u>17,973,838</u>
Executive Over (Under) LFA	<u><u>2.59</u></u>	<u><u>\$ 1,398,924</u></u>	<u><u>\$ 542,392</u></u>

The executive exceeds the current level in general fund and total funds in the 1987 biennium by \$1,398,924 and \$542,392, respectively. The following issues reflect the major differences between the executive and current level.

MAIN STATION

Issue 1: Personal Services

The executive budget exceeds the current level in personal services by approximately \$572,000 in the 1987 biennium. Table 1 presents the major differences between the executive budget and current level in personal services.

Table 1
Personal Services--Comparison of Executive to Current Level
1987 Biennium

Budget Item	- - Biennial Cost - - Executive	LFA	Executive Over (Under) LFA
Health Insurance	\$ 537,936	\$ 456,408	\$ 81,528
Benefits	1,845,632	1,624,676	220,956
Part-time Employee Salaries	647,900	480,056	167,844
Dairy Research Project FTE	<u>102,146</u>	<u>-0-</u>	<u>102,146</u>
Total	<u><u>\$3,133,614</u></u>	<u><u>\$2,561,140</u></u>	<u><u>\$572,474</u></u>

The executive has included \$81,528 more for health insurance in the 1987 biennium. Health insurance in the current level analysis is based upon the actual number of FTE paid health insurance in fiscal 1984. The executive budget for benefits is \$220,956 higher than the current level analysis.

The executive has budgeted salaries for part-time employees at the salary level requested by the experiment station, which represents a yearly increase of

21 percent from fiscal 1983. The current level analysis includes salaries for part-time employees at the fiscal 1983 average salary of \$11,225 with 4 percent pay plan added to fiscal 1986 and 1987.

The executive budget has provided funding for 2.59 FTE associated with the station's dairy research project at a personal services cost, excluding benefits and health insurance, of \$102,146 in the 1987 biennium. The dairy research project is scheduled to terminate in fiscal 1985. The current level analysis deleted the FTE from the budget and presents the experiment station's request to retain the FTE in the budget as an issue.

Issue 2: Operating Expense Inflation

The current level is higher than the executive budget in the 1987 biennium by over \$200,000 for operating expenses. The executive budget did not allow for inflation in most budget items which accounts for the majority of the difference.

Issue 3: Equipment

The executive budget exceeds the current level analysis in the 1987 biennium by \$246,961 for equipment. The executive's equipment budget was derived by funding selected equipment items from a replacement schedule submitted by the experiment station. Current level provides replacement capital for equipment items with a purchase price of less than \$2,000. Requested new and replacement items costing more than \$2,000 are to be submitted by the station as a modified request. The current level analysis presents a more detailed discussion of the methodology used to budget for equipment.

Issue 4: Funding

The current level analysis exceeds the executive budget in the 1987 biennium in state special (earmarked) and federal revenue by \$174,000 and \$216,706, respectively. The executive has used a five-year average to project state special revenue for fiscal 1986 and 1987. The current level analysis also used a five-year average, but has added 4.5 and 5 percent inflation for fiscal years 1986 and 1987, respectively. The current level analysis also includes \$38,000 (projected) in state special revenue in the 1987 biennium for the final two installments on the Bozeman dairy herd to be paid by the prison ranch.

The executive budget has used experiment station estimates of federal Hatch Act and regional research funds. Experiment station estimates of federal revenues fail to keep pace with total budget expansion. The current level analysis applied inflation to fiscal 1985 federal revenues. The funding shortfall

in federal revenues projected by the experiment station is presented as an issue in the current level analysis.

UNITED STATES RANGE STATION

Issue 5: Operating Expense Inflation

The current level analysis exceeds the executive budget in operating expenses by approximately \$49,000 in the 1987 biennium. The executive budget did not allow for inflation on most budget items, which accounts for most of the difference.

Issue 6: General Fund Replacement

The U.S. Range Statiton is a joint operation between the federal government and the state of Montana. The state portion of the operation is funded entirely from the sale of livestock and from accumulated cash reserves. The executive budget has included \$523,975 in general fund in the 1987 biennium as executive estimates of earmarked revenue for the U.S. Range Station indicate the station will not remain self-supporting through the 1987 biennium. The current level analysis does not include general fund as current level estimates of earmarked revenue indicate the U.S. Range Station will continue to be self-supporting through the 1987 beinnium.

AGRICULTURAL EXPERIMENT STATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	298.29	301.29	291.70	291.70	(2.6)
Personal Service	\$6,886,916	\$7,027,424	\$6,982,864	\$6,982,864	0.3
Operating Expense	1,903,355	2,123,014	1,683,323	1,700,772	(15.9)
Equipment	247,068	262,143	103,516	110,110	(58.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>158,304</u>	<u>252,085</u>	<u>--</u>
Total Operating Costs	\$9,037,339	\$9,412,581	\$8,928,007	\$9,045,831	(2.5)
Non-Operating Costs	<u>27,224</u>	<u>18,686</u>	<u>-0-</u>	<u>-0-</u>	<u>0.0</u>
Total Expenditures	<u><u>\$9,064,563</u></u>	<u><u>\$9,431,267</u></u>	<u><u>\$8,928,007</u></u>	<u><u>\$9,045,831</u></u>	<u><u>(2.8)</u></u>
<u>Fund Sources</u>					
General Fund	\$5,644,006	\$5,930,543	\$5,647,693	\$5,640,092	(2.5)
State Special	1,757,343	1,770,984	1,472,735	1,507,782	(15.5)
Federal Revenue	<u>1,663,214</u>	<u>1,729,740</u>	<u>1,807,579</u>	<u>1,897,957</u>	<u>9.2</u>
Total Funds	<u><u>\$9,064,563</u></u>	<u><u>\$9,431,267</u></u>	<u><u>\$8,928,007</u></u>	<u><u>\$9,045,831</u></u>	<u><u>(2.8)</u></u>

The Montana Agricultural Experiment Station, headquartered in Bozeman, carries out a variety of research embracing agricultural problems of a local, regional, and national character. Crops and livestock provide the primary focus of research with a major emphasis on production improvement.

The Agricultural Experiment Station consists of the budgets for the Main Station and the United States Livestock and Range Research Station. The Main Station budget is funded from four sources of revenue. Two of these, Hatch Act and Regional Research, are federal. The Main Station collects earmarked revenue (state special) from the sale of agricultural products and services. The state general fund provides the remainder of the Main Station's financial support.

The United States Livestock and Range Research Station (LARRS) at Miles City is funded completely from earmarked revenue (state special). Earmarked revenue is generated primarily from the sale of surplus livestock. The budgets for the Main Station and LARRS are discussed in further detail in the following sections.

Current level FTE decrease by 2.6 percent from the 1985 to the 1987 biennium. This results from a decrease of 5.59 FTE employed on the dairy research project at the Main Station and 4 FTE employed on the swine research project at LARRS. These two research projects are scheduled to terminate in fiscal 1985.

AGRICULTURAL EXPERIMENT STATION

Page 2

With the termination of the dairy and swine research projects, total expenditures decrease by 2.8 percent and state special revenue decreases by 15.5 percent.

MAIN STATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	258.16	261.16	255.57	255.57	(1.5)
Personal Service	\$6,090,492	\$6,275,519	\$6,258,345	\$6,258,345	1.2
Operating Expense	1,672,875	1,818,357	1,540,898	1,541,485	(11.7)
Equipment	246,143	247,721	100,516	107,110	(57.9)
Inflation	-0-	-0-	139,513	224,109	--
Total Operating Costs	\$8,009,510	\$8,341,597	\$8,039,272	\$8,131,049	(1.1)
Non-Operating Costs	27,224	18,686	-0-	-0-	(0.0)
Total Expenditures	<u>\$8,036,734</u>	<u>\$8,360,283</u>	<u>\$8,039,272</u>	<u>\$8,131,049</u>	<u>(1.3)</u>
Fund Sources					
General Fund	\$5,644,006	\$5,930,543	\$5,647,693	\$5,640,092	(2.5)
State Revenue	729,516	700,000	584,000	593,000	(17.7)
Federal Revenue	<u>1,663,212</u>	<u>1,729,740</u>	<u>1,807,579</u>	<u>1,897,957</u>	<u>9.2</u>
Total Funds	<u>\$8,036,734</u>	<u>\$8,360,283</u>	<u>\$8,039,272</u>	<u>\$8,131,049</u>	<u>(1.3)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Federal Revenues Shortfall	\$ 40,489	-0-	\$ 95,526	-0-
Option b: Reduce Budget	-0-	\$(40,489)	-0-	\$(95,526)
Option c: Supplant Federal Funds	\$ 40,489	-0-	\$ 95,526	-0-
2. Terminating Projects.	\$(34,932)	-0-	\$(1,726,876)	-0-
3. Dairy Research Project FTE	\$ 62,353	-0-	\$ 62,353	-0-

The Main Station budget funds seven research centers located at Kalispell, Conrad, Moccasin, Sidney, Corvallis, Havre, and Huntley plus the veterinary and wool laboratories at Montana State University. Additionally, research is performed in 12 academic departments at Montana State University. Excluding the pay plan, the general fund provides 70 percent of the Main Station's financial support in the 1987 biennium. The remainder of the station's financial support is provided from a combination of earmarked and federal Hatch and Regional Research revenues. The personal services amount for fiscal 1985 includes \$110,617 from House Bill 902 to fund pay increases.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. As indicated in the table, \$32,849 of the Main Station's fiscal 1984 appropriation was not utilized. The Main Station had sufficient vacancy savings to cover pay increases in fiscal 1984. The difference in operating expenses of \$39,287 results primarily from a savings in contract services of approximately \$23,000. The balance in operating expenses of \$16,287 is distributed through several items.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	258.16	258.16	0.00
Personal Services	\$6,092,072	\$6,090,492	\$ 1,580
Operating Expenses	1,712,160	1,672,873	39,287
Equipment and Capital	265,349	273,367	(8,018)
Total Expenditures	<u>\$8,069,581</u>	<u>\$8,036,732</u>	<u>\$32,849</u>
<u>Funding</u>			
General Fund	\$5,660,387	\$5,644,006	\$16,381
State Special	745,982	729,514	16,468
Federal Revenue	1,663,212	1,663,212	-0-
Total Funds	<u>\$8,069,581</u>	<u>\$8,036,732</u>	<u>\$32,849</u>

Current Level Adjustments

Personal Services--The level of FTE decreases by 1.5 percent in the 1987 biennium. The decrease results as 5.59 FTE employed on the dairy research project were deleted from the budget. The following table presents a comparison of the level of FTE authorized by the 1983 legislature to the experiment station's request and to current level. The experiment station's request is below the level authorized by the 1983 legislature as 3 out of the 5.59 FTE employed on the dairy project were deleted by the experiment station. The difference between the experiment station's request and current level of 2.59 FTE represents the remaining FTE employed on the dairy research project that the experiment station wants included in current level. The requested FTE are discussed further in Issue 3.

Table 1
Comparison of Authorized FTE, Requested FTE, and Current Level FTE

Classification	FY 1895 Authorized	Main Station Request	----- 1987 Biennium -----	
			Current Level	Difference Request - CL
Faculty	93.09	93.09	92.42	.67
Professional/Administrative	13.05	22.90	22.90	-0-
Classified	118.25	105.40	103.48	1.92
Graduate Research Assistants	17.00	17.00	17.00	-0-
Part-Time	19.77	19.77	19.77	-0-
Total	<u>261.16</u>	<u>258.16</u>	<u>255.57</u>	<u>2.59</u>

The average salary for part-time employees requested by the experiment station represented a yearly increase from fiscal 1983 of 21 percent. The current level salary for part-time employees is the fiscal 1983 average of \$11,225 with 4 percent pay plan added to fiscal 1984 and 1985.

Operating Expenses--The following adjustments were made to operating expenses: (1) \$153,662 in fiscal 1984 dairy research expenditures were removed from the budget as the dairy project will be terminated in fiscal 1985 and (2) \$21,271 was added for weed research. The 1983 legislature approved funding for expanded weed research for fiscal 1985. The fiscal 1984 appropriation did not contain funding for expanded weed research. Therefore, the amount was added to the budget to provide continued funding into the 1987 biennium.

Equipment--The amount included in current level for equipment is based upon the following methodology:

1. Inventory items with a purchase price of \$2,000 or less will be budgeted from replacement schedules. The schedules list the original cost of the equipment. A price index is used to inflate the original cost of the equipment to fiscal 1985 replacement cost. A life cycle or useful life determines the annual replacement cost, and a trade-in value is subtracted from the annual replacement cost to derive the equipment budget.
2. Replacements and new non-scientific equipment items which cost more than \$2,000 will be submitted by the experiment station in a list

prioritized by local and state agricultural advisory committees. Requested items are to be linked to research programs.

3. Replacements and new scientific equipment items costing greater than \$2,000 are to be submitted as a modified request. As with (2) above, items are to be submitted in a prioritized list and identified with research programs.

The total equipment budget will consist of amounts generated by the replacement schedules, non-scientific equipment with a cost greater than \$2,000 per item, and scientific equipment costing greater than \$2,000. As of this writing, items (2) and (3), which are to be presented as issues, are not available from the experiment station. The experiment station indicated they will be submitted to the Legislative Fiscal Analyst's Office prior to session.

Three equipment replacement schedules were used to generate the current level equipment budget for inventory items with an original cost of \$2,000 or less. The three schedules are farm equipment, scientific equipment, and miscellaneous equipment. The following table presents the number of inventory items, original cost, and total replacement cost of equipment associated with each replacement schedule. Table 2 represents 78 percent of the total inventory items and 28 percent of the inventory value.

Table 2
Number of Inventory Items, Original Cost, and Total Replacement Cost
for Equipment Represented in Replacement Schedules
Fiscal 1985

<u>Replacement Schedule</u>	<u>Number of Items</u>	<u>Original Cost</u>	<u>Replacement Cost</u>
Farm	450	\$ 301,524	\$ 934,074
Scientific	718	476,649	816,043
Miscellaneous	<u>484</u>	<u>229,719</u>	<u>501,067</u>
Total	<u>1,652</u>	<u>\$1,007,892</u>	<u>\$2,251,184</u>

The equipment budget is determined by dividing the replacement cost of each schedule by the equipment's useful life and subtracting a trade-in value. These calculations are shown in Table 3.

Table 3
Calculation of 1985 Replacement Cost and Current
Level Equipment Budget

----- Calculation of Fiscal 1985 Replacement Cost -----						
Schedule	Replcmt. Cost	Useful Life (Years)		Annual Replcmt. Cost	Trade-In Value	Replcmt. Cost
Farm	\$ 934,074	÷ 20	=	\$ 46,704	- \$9,341	= \$37,363
Scientific	816,043	÷ 20	=	40,802	- -0-	= 40,802
Miscellaneous	501,067	÷ 30	=	16,702	- -0-	= 16,702
Total	<u>\$2,251,184</u>			<u>\$104,208</u>	<u>\$9,341</u>	<u>\$94,867</u>

----- Current Level Equipment Budget -----			
Schedule	1985	1986 ^a	1987 ^a
Farm	\$37,363	\$ 39,792	\$ 42,378
Scientific	40,802	43,087	45,931
Miscellaneous	16,702	17,637	18,801
Total	<u>\$94,867</u>	<u>\$100,516</u>	<u>\$107,110</u>

^aDerived by applying inflation in each schedule's price index.

Funding

State special revenue decreases by 17.7 percent from the 1985 to the 1987 biennium. The decrease results from the termination of the dairy research project in fiscal 1985.

Current level projections for Hatch and Regional Research are \$1,807,579 in fiscal 1986 and \$1,897,957 in fiscal 1987. These amounts were derived by applying inflation to the appropriated fiscal 1985 amount of \$1,729,740. Federal funding is discussed further in Issue 1.

Projected Research Expenditures

The following table presents actual fiscal 1984 expenditures and projected expenditures for fiscal 1986 and 1987 by research area. As indicated in the table for fiscal 1987, expenditures range from a high of \$1,842,496 for improvement of biological efficiency in production of livestock to a low of \$813 for housing. The

most notable change in expenditures from fiscal 1984 to 1987 occurs in appraisal of soil resources where expenditures are projected to decrease by 41.7 percent. The experiment station is starting a new project in fiscal 1987 relating to new and improved feed from field crops.

Table 4
Main Station - Actual and Projected Research Expenditures
Fiscal 1984, 1986 and 1987

Research Area	Actual	---- Projected ^a ----	
	Fiscal 1984	Fiscal 1986	Fiscal 1987
Appraisal of Resources	\$ 125,527	\$ 80,393	\$ 73,179
Soil, Plant, Water Nutrient Relationships	473,860	498,435	504,125
Management of Saline and Sodic Soils	6,145	4,020	4,066
Alternative Uses of Land	43,022	41,804	42,282
Conservation and Efficient Use of Water	73,266	70,746	71,553
Drainage and Irrigation Systems	44,785	43,412	43,908
Adaptation to Weather and Weather Modification	31,503	31,353	31,711
Appraisal of Forest and Range Resources	11,836	11,255	11,384
Improvement of Range Resources	229,079	233,139	235,800
Control of Pests on Fruit and Vegetable Crops	7,572	7,235	8,131
Control of Diseases on Fruit and Vegetable Crops	19,665	18,490	18,701
Control of Weeds on Fruit and Vegetable Crops	20,938	20,098	20,328
Control of Pests Affecting Field Crops and Range	267,786	258,061	261,007
Control of Diseases Affecting Field Crops and Range	339,761	350,512	354,514
Control of Weeds on Field Crops and Range	307,986	315,943	319,550
Control of Diseases of Livestock, Poultry, and Other	752,922	755,692	764,319
Control of Internal Parasites of Livestock, Poultry, and Other	126,399	120,598	121,966
Protection of Plants, Animals, and Man from Pollution	7,572	7,235	7,318
Improvement of Biological Efficiency of Fruit and Vegetable Crops	132,198	126,217	127,657
Production Management Systems for Fruits and Vegetables	4,900	4,824	4,879
Improvement of Biological Efficiency of Field Crops	1,416,612	1,419,735	1,432,943
Mechanization of Production of Field Crops	62,378	61,098	61,796
Production Management Systems for Field Crops	341,895	329,610	333,373
Reproductive Performance of Livestock, Poultry and Other Animals	117,857	127,824	129,284
Improvement of Biological Efficiency in Production of Livestock, Poultry, and Other Animals	1,758,412	1,821,699	1,842,496
Production Management Systems for Livestock, Poultry and Other Animals	160,474	157,570	159,369
Improvement of Structures and Facilities	38,013	36,981	37,403
Farm Business Management	40,683	41,804	42,282
Biological Technology and Biometry	99,669	95,667	96,759
New and Improved Fruit and Vegetable Products and By Products	26,949	25,726	26,019
Production of Field Crops with Improved Acceptability	74,241	75,569	76,432
New and Improved Food Products from Field Crops	78,610	80,393	81,310

- - - - - CONTINUED - - - - -

Table 4 (continued)
Main Station - Actual and Projected Research Expenditures
Fiscal 1984, 1986 and 1987

Research Area	Actual	---- Projected ^a ----	
	Fiscal 1984	Fiscal 1986	Fiscal 1987
New and Improved Feed, Textile and Industrial Products from Field Crops	\$ -0-	\$ -0-	\$ 8,944
Production of Animal Products with Improved Acceptability	52,767	53,863	54,478
Improve Efficiency in the Marketing System	9,985	9,647	9,757
Improvement of Grades and Standards -- Crop And Animal Products	87,945	85,216	86,189
Supply, Demand and Price Analysis -- Crop and Animal Products	154,192	147,923	149,611
Performance of Marketing Systems	123,024	118,981	119,526
Protect Food and Feed Supplies from Harmful Microorganisms and Toxins	8,235	8,039	8,131
Food Choices, Habits and Consumption	6,844	7,235	7,318
Human Nutrition	6,739	6,431	6,505
Housing	229	796	813
Individual and Family Decision Making and Resource Use and Family Functioning	18,463	17,686	17,888
Improvement of Economic Potential of Rural People	23,556	23,314	23,580
Communication and Education Processes	13,847	10,451	10,570
Individual and Family Adjustment to Change	55,190	54,667	55,291
Government Programs to Balance Farm Output and Market Demand	22,062	21,706	21,954
Alleviation of Pollution and Disposal of Wastes	32,819	32,157	35,524
Fish and Other Aquatic Live, Fur-Bearing Animals and Other Wildlife	44,569	38,589	39,029
Trees to Enhance Rural and Urban Development	15,304	15,275	15,449
Culture and Protection of Ornamentals and Turf	104,241	99,687	100,825
Improvement of Rural Community Institutions and Services	14,206	14,471	13,823
Total	<u>\$8,036,732</u>	<u>\$8,039,272</u>	<u>\$8,131,049</u>

^aProjected according to percent of budget allocated by the experiment station.

Issue 1: Federal Revenue

The experiment station receives federal Hatch and Regional Research funds from the Cooperative Research Service of the United States Department of Agriculture. The level of funding from Hatch and Regional Research revenues projected by the experiment station fails to keep pace with total budget expansion as indicated in the following table. Revenue estimates are not currently available from the federal government.

Table 5
Federal Funding - Comparison of Current Level to Experiment Station Estimates
Fiscal 1985, 1986 and 1987

Federal Funding	Fiscal 1985	Fiscal 1986	Fiscal 1987	% Change 1985-1986	% Change 1986-1987
Current Level	\$1,729,740	\$1,807,579	\$1,897,957	4.5	5.0
Experiment Station Estimates	<u>1,729,740</u>	<u>1,767,090</u>	<u>1,802,431</u>	<u>2.2</u>	<u>2.0</u>
Difference	<u>\$ -0-</u>	<u>\$ 40,489</u>	<u>\$ 95,526</u>	<u>N/A</u>	<u>N/A</u>

Estimates of federal revenues used by the experiment station for the 1987 biennium are \$136,015 less than what would be required to maintain current level services. If the experiment station's estimates were used, the general fund would have to be increased by \$136,015 in the 1987 biennium.

Option a: Use current level revenue estimates.

Option b: Use experiment station revenue estimates, but do not supplement federal revenues with general fund. This would reduce the budget by \$40,489 in fiscal 1986 and \$95,526 in fiscal 1987.

Option c: Use experiment station revenue estimates and supplement federal funds with general fund of \$40,489 in fiscal 1986 and \$95,526 in fiscal 1987.

Issue 2: Projects Terminating in Fiscal 1986

Current level includes funding for three projects which are scheduled to terminate in fiscal 1985 and 35 projects in fiscal 1986. The experiment station does not have plans for reallocating funds freed from the terminating projects to new and/or existing projects in fiscal 1986 and 1987. The following table presents budgeted personal services and operating expenditures that are included in current level. The total indicated in the table of \$34,932 in fiscal 1986 and \$1,726,876 in fiscal 1987 represents the amount of funding available for reallocation to new and/or existing projects or for removal from the budget, if the projects were terminated as scheduled in fiscal 1985 and 1986.

Table 6
Funding Available in Fiscal 1986 and 1987 from Projects
Scheduled to Terminate in Fiscal 1985 and 1986

Object of Expenditure	Fiscal 1986	Fiscal 1987
FTE ^a	1.04	58.00
Personal Services	\$31,088	\$1,544,985
Operating Expenses	<u>3,844</u>	<u>181,891</u>
Total	<u>\$34,932</u>	<u>\$1,726,876</u>

^aDerived from the application of average salaries. Personal services includes benefits and health. Total FTE in fiscal 1986 include .60 faculty, .20 professional, .16 classified, and .08 labor. Total FTE in fiscal 1987 include 24.71 faculty, 5.53 professional, 18.01 classified, 6.20 graduate research assistants, and 3.55 labor.

Option a: Reduce current level expenditures by \$34,932 in fiscal 1986 and \$1,726,876 in fiscal 1987 for terminating projects. The general fund savings would be \$34,932 in fiscal 1986 and \$1,726,876 in fiscal 1987.

Issue 3: Dairy Research Project FTE

The dairy research project is scheduled to be terminated in fiscal 1985. Expenditures and revenue relating to the project have been removed from the budget. Revenue generated from the sale of milk and culls has previously been deposited to the Main Station's state special revenue account (earmarked).

The Bozeman dairy herd of approximately 158 head has been sold to the prison ranch. The cooperative agreement requires that the Bozeman dairy herd be purchased by the prison ranch in three installments with the last installment to be made in fiscal 1986. The experiment station received \$31,971 in the first installment on the dairy herd in fiscal 1985 from the prison ranch. The second payment estimated at \$19,000 will also be received in fiscal 1985. The estimate of state special revenue in fiscal 1986 includes the final installment on the dairy herd--estimated at \$19,000.

The following table presents expenditures and revenue for the Dairy Research Program for fiscal years 1982 to 1984. As indicated in the table, research expenditures exceeded revenue in fiscal 1982 by 64 percent, 33 percent in fiscal 1983, and 30 percent in fiscal 1984.

Table 7
Main Station - Dairy Research Income and Expenditures
Fiscal 1982 - 1984

	<u>Fiscal 1982</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>
Revenue ^a	\$148,972	\$183,255	\$202,313
Expenditures ^b			
Personal Services	\$114,784	\$120,212	\$108,322
Operating Expenses	126,669	122,739	153,703
Equipment	<u>2,818</u>	<u>-0-</u>	<u>660</u>
Total Expenditures	\$244,271	\$242,951	\$262,685
Revenue Over(under) Expenditures	<u>\$(95,299)</u>	<u>\$(59,696)</u>	<u>\$(60,372)</u>

^aFigures were supplied by the experiment station and were not independently verified.

^bSource: Fiscal year-end SBAS reports.

The dairy research project employed 5.59 FTE. The experiment station has deleted 3 classified FTE associated with the project. The remaining 2.59 FTE are included in the Main Station's budget request. Included in the remaining FTE are .67 faculty FTE and 1.92 classified FTE. As of this writing, the faculty position is vacant. According to the experiment station, the vacant faculty position has not been reassigned to an existing project, nor to a new or proposed research project. The experiment station intends to develop a new project once the position is filled.

The classified FTE consists of 1 FTE position which is filled by several individuals who have been reassigned to five existing projects in the Animal Nutrition Research Program. The remaining .92 classified FTE is currently vacant. With the termination of the swine research project at Miles City in fiscal 1985, the experiment station plans to transfer the individual to the ongoing swine research project at Bozeman and utilize the vacant .92 FTE.

The following table presents the personal services cost associated with the 2.59 FTE the experiment station requests to retain in current level.

Table 8
Cost of Dairy Research Project FTE - Fiscal 1985

<u>Classification</u>	<u>FTE</u>	<u>Personal Services Cost^a</u>
Faculty	.67	\$23,452
Classified	<u>1.92</u>	<u>38,901</u>
Total	<u>2.59</u>	<u>\$62,353</u>

^aAn average salary for faculty and classified positions was used to calculate total salaries. The total personal services cost for each classification includes benefits and health.

Option a: Add 2.59 FTE to current level at a general fund cost of \$62,353 in each year of the 1987 biennium before pay increases.

U.S. RANGE STATION

	Actual	Appropriated	---Current Level---		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1985-87
<u>Budget Item</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Biennium</u>
F.T.E	40.13	40.13	36.13	36.13	(9.9)
Personal Service	\$ 796,424	\$ 751,905	\$724,519	\$724,519	(6.4)
Operating Expense	230,480	304,657	142,425	159,287	(43.6)
Equipment	925	14,422	3,000	3,000	(60.9)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>18,791</u>	<u>27,976</u>	<u>--</u>
Total Expenditures	<u>\$1,027,829</u>	<u>\$1,070,984</u>	<u>\$888,735</u>	<u>\$914,782</u>	<u>(14.0)</u>
<u>Fund Sources</u>					
State Special	<u>\$1,027,829</u>	<u>\$1,070,984</u>	<u>\$888,735</u>	<u>\$914,782</u>	<u>(14.0)</u>

The United States Range Station at Miles City is a joint operation between the federal government and the state of Montana. The primary focus of cooperative research at the station is on improving the production of beef cattle. The state portion of the operation is funded completely from state special revenue which is generated from the sale of agricultural products of the station.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to

allocations as anticipated by the 1983 legislature. As indicated in the table, the range station did not utilize \$14,494 of the fiscal 1984 appropriation. The difference in personal services of \$45,451 results as the budgeted amount of \$750,973 did not include the pay plan. The savings in operating expenses of \$47,264 occurs primarily in contracted services (\$8,440), communications (\$11,555), and rent (\$10,787). The balance of savings in operating expenses is distributed through numerous items.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	40.13	40.13	0.00
Personal Services	\$ 750,973	\$ 796,424	\$(45,451)
Operating Expenses	277,744	230,480	47,264
Equipment	13,606	925	12,681
Total Expenditures	<u>\$1,042,323</u>	<u>\$1,027,829</u>	<u>\$ 14,494</u>
<u>Funding</u>			
State Special	<u>\$1,042,323</u>	<u>\$1,027,829</u>	<u>\$ 14,494</u>

Current Level Adjustments

Current level FTE decrease by 4 or 9.9 percent in the 1987 biennium as the U.S. Range Station is terminating the swine research project in fiscal 1985. Three classified FTE at an average salary of \$15,908 and one professional FTE at an average salary of \$19,920 were deleted from the budget.

Operating expenses decrease by 43.6 percent as \$72,621 in fiscal 1984 swine research expenditures are removed from the budget. The swine operation is discussed further in the following section. The budget provides \$3,000 in each year of the 1987 biennium to purchase two horses a year for use in farm operations.

The following table presents actual fiscal 1984 expenditures for administration and research, budgeted fiscal 1985 expenditures, and projected expenditures for fiscal 1986 and 1987. In the 1987 biennium, 31 percent of total expenditures is for administration, farm operations, and physical plant. The remaining 69 percent of the budget is for selected beef cattle research studies.

Table 9
LARRS - Actual and Projected Expenditures for Administration and Research
Fiscal 1984-1987

Program Expenditure ^a	Actual FY 84	Budgeted FY 85 ^c	--Projected ^d --	
			FY 86	FY 87
Administration and Farm Operations	\$ 261,730	\$ 282,266	\$275,506	\$283,582
Swine Nutrition ^b	187,077	187,386	-0-	-0-
Performance of Beef Cattle	67,035	62,317	71,099	73,183
Nutrition Requirements-Range Cattle	66,122	73,977	71,099	73,183
Reproductive Efficiency in Range Cattle	137,267	129,611	142,198	146,365
Selective Improvement-Beef	90,141	91,532	97,761	100,626
Optimizing Use of Range	40,021	47,222	44,437	45,739
Closed Line-Hereford Cattle	94,826	88,806	97,761	100,626
Forage Efficiency	83,610	92,868	88,874	91,478
Total	<u>\$1,027,829</u>	<u>\$1,055,985</u>	<u>\$888,735</u>	<u>\$914,782</u>

^aExpenditures do not include allocation of overhead (i.e., administration).

^bTerminated in fiscal 1985.

^cBudgeted expenditures are \$14,999 less than the appropriation of \$1,070,984.

^dEstimated according to percent of budget spent in fiscal 1984.

Swine Research

The swine research project at the U.S. Range Station is scheduled to be terminated in fiscal 1985. Expenditures and revenue relating to the swine research project have been removed from the budget. Out of the 4 FTE employed on the swine research project, the experiment station plans to transfer one individual to the on-going swine research project at Bozeman.

The following table presents expenditures and revenue for the swine research project at the U.S. Range Station for fiscal years 1982 to 1984.

allocations as anticipated by the 1983 legislature. As indicated in the table, the range station did not utilize \$14,494 of the fiscal 1984 appropriation. The difference in personal services of \$45,451 results as the budgeted amount of \$750,973 did not include the pay plan. The savings in operating expenses of \$47,264 occurs primarily in contracted services (\$8,440), communications (\$11,555), and rent (\$10,787). The balance of savings in operating expenses is distributed through numerous items.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	40.13	40.13	0.00
Personal Services	\$ 750,973	\$ 796,424	\$(45,451)
Operating Expenses	277,744	230,480	47,264
Equipment	13,606	925	12,681
Total Expenditures	<u>\$1,042,323</u>	<u>\$1,027,829</u>	<u>\$ 14,494</u>
<u>Funding</u>			
State Special	<u>\$1,042,323</u>	<u>\$1,027,829</u>	<u>\$ 14,494</u>

Current Level Adjustments

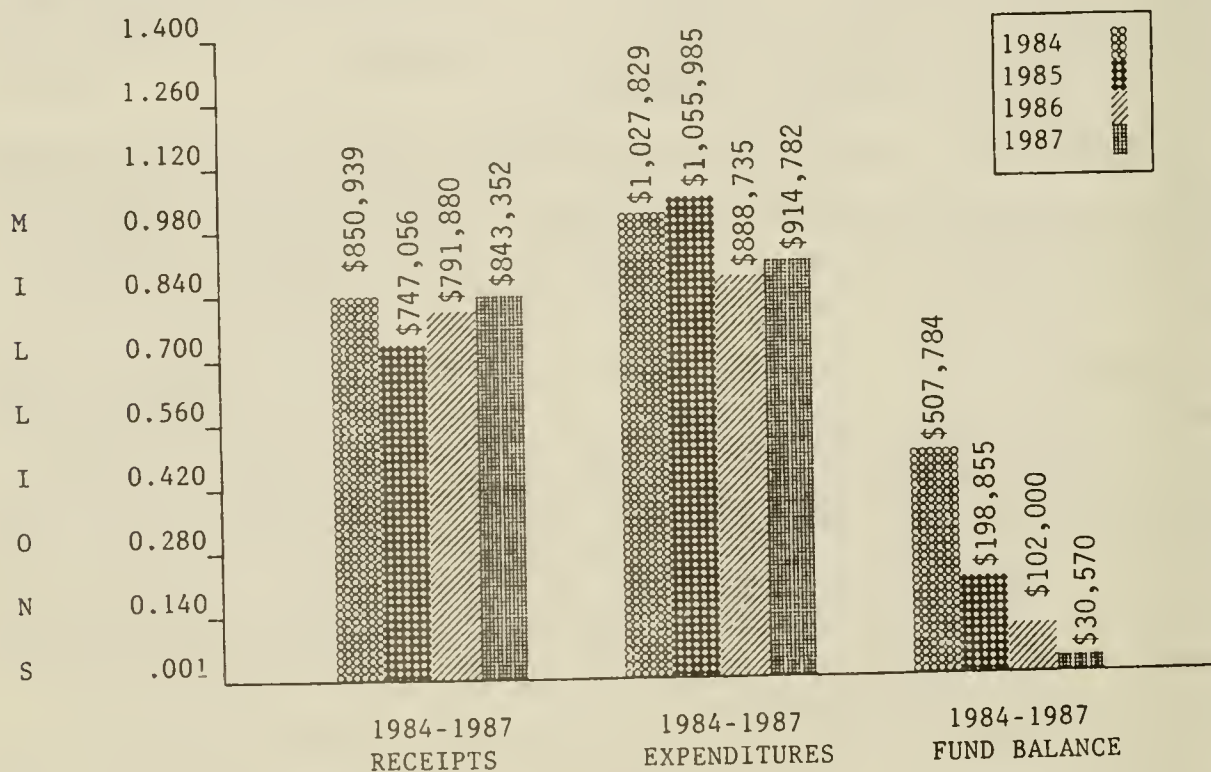
Current level FTE decrease by 4 or 9.9 percent in the 1987 biennium as the U.S. Range Station is terminating the swine research project in fiscal 1985. Three classified FTE at an average salary of \$15,908 and one professional FTE at an average salary of \$19,920 were deleted from the budget.

Operating expenses decrease by 43.6 percent as \$72,621 in fiscal 1984 swine research expenditures are removed from the budget. The swine operation is discussed further in the following section. The budget provides \$3,000 in each year of the 1987 biennium to purchase two horses a year for use in farm operations.

The following table presents actual fiscal 1984 expenditures for administration and research, budgeted fiscal 1985 expenditures, and projected expenditures for fiscal 1986 and 1987. In the 1987 biennium, 31 percent of total expenditures is for administration, farm operations, and physical plant. The remaining 69 percent of the budget is for selected beef cattle research studies.

rate of 30.4 percent as the swine research project was still active. Expenditures are projected to exceed revenue by 10.3 percent in the 1987 biennium with the termination of the swine research project. The present trend in revenues and expenditures indicates the fund balance will be exhausted by fiscal 1988 at which time it will be necessary for the range station to reduce programs or find additional sources of revenue.

FIGURE 1
LARRS -- TOTAL RECEIPTS, DISBURSEMENTS, AND FISCAL YEAR-END FUND BALANCE
FISCAL 1984 - 1987



BUREAU OF MINES

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	31.91	\$2,795,137	\$2,920,137
LFA Current Level	31.91	2,880,443	3,000,792
Executive Over (Under) LFA	<u>0.00</u>	<u>\$(85,306)</u>	<u>\$(80,655)</u>

The executive budget is lower than the current level in the 1987 biennium by \$85,306 in general fund and \$80,655 in total funds. The following issues reflect the major difference between the executive and the current level.

Issue 1: Inflation

The executive does not allow for inflation in most budget items which results in the executive budget being lower than the current level analysis in operating expenses by \$36,568 in fiscal 1986 and \$59,744 in fiscal 1987.

Issue 2: Equipment

The executive budget exceeds the current level analysis in equipment by \$16,137 in the 1987 biennium. The amount budgeted by the executive for equipment represents an average of fiscal 1982 and 1983 expenditures inflated by 4 percent to fiscal 1986 and 1987. The current level analysis funds selected items from an equipment request submitted by the bureau to derive the equipment budget for fiscal years 1986 and 1987.

BUREAU OF MINES

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	30.93	31.91	31.91	31.91	1.6
Personal Service	\$ 861,900	\$ 874,140	\$ 855,072	\$ 855,072	(1.4)
Operating Expense	562,975	574,294	561,261	561,261	(1.2)
Equipment	24,148	41,566	25,833	20,830	(28.9)
Inflation	-0-	-0-	46,310	75,153	--
Total Expenditures	<u>\$1,449,023</u>	<u>\$1,490,000</u>	<u>\$1,488,476</u>	<u>\$1,512,316</u>	<u>2.1</u>
<u>Fund Sources</u>					
General Fund	\$1,396,693	\$1,433,821	\$1,429,769	\$1,450,674	1.8
State Special	<u>52,330</u>	<u>56,179</u>	<u>58,707</u>	<u>61,642</u>	<u>10.9</u>
Total Funds	<u>\$1,449,023</u>	<u>\$1,490,000</u>	<u>\$1,488,476</u>	<u>\$1,512,316</u>	<u>2.1</u>

The Bureau of Mines and Geology is responsible for developing, gathering, analyzing, cataloging, and disseminating information concerning the location and development of the mineral, energy, and ground water resources of the state. The primary focus of research is on evaluating groundwater and mineral resources. The bureau also participates in cooperative groundwater studies with the United States Geological Survey.

Funding

The bureau receives unrestricted and restricted revenues. The federal funds portion is restricted and therefore not included in the table above.

Unrestricted

The bureau's unrestricted budget is funded from general fund and state special revenue. State special revenue is generated primarily from the sale of bureau publications and maps. The personal services amount for fiscal 1985 includes \$17,260 from House Bill 902 to be used in funding pay increases.

Restricted

In the 1985 biennium, the bureau received restricted revenues from grants and contracts and from House Bills 819 and 876. Expenditures from these sources totaled \$841,318 in fiscal 1984.

Grants and contracts are provided by federal, state, and private agencies. Funding is restricted to projects for which the funds are granted. Expenditures from grants and contracts totaled \$697,996 in fiscal 1984.

House Bill 819 appropriated \$60,000 in the 1985 biennium from the renewable resource development account to the bureau. The bureau used \$35,538 of the appropriation in fiscal 1984 to monitor the impact of surface and groundwater rebound in the Berkley Pit in Silver Bow County. The balance of the appropriation will be used to continue monitoring of the Berkley Pit in fiscal 1985.

House Bill 876 appropriated \$150,000 from the resource indemnity trust interest account in the 1985 biennium. The Sheridan County Conservation District used \$107,784 of the appropriation in fiscal 1984 to contract with the Bureau of Mines to research the quantity and quality of groundwater available from the buried ancestral Missouri River Channel. The bureau indicated research will continue in fiscal 1985 on the buried channel culminating in a formal research report to be published around June 30, 1985.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table presents a comparison of actual fiscal 1984 expenditures to those anticipated by the 1983 legislature in the appropriation.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	31.91	30.93	.98
Personal Services	\$ 854,990	\$ 861,900	\$ (6,910)
Operating Expenses	544,429	562,975	(18,546)
Equipment	50,490	24,148	26,342
Total Expenditures	<u>\$1,449,909</u>	<u>\$1,449,023</u>	<u>\$ 886</u>
<u>Funding</u>			
General Fund	\$1,396,909	\$1,396,693	\$ 216
State Special	53,000	52,330	670
Total Funds	<u>\$1,449,909</u>	<u>\$1,449,023</u>	<u>\$ 886</u>

As indicated in the table, actual FTE in fiscal 1984 were .98 FTE below the level authorized by the 1983 legislature. Faculty have split assignments between teaching at the college and doing research for the bureau. If a faculty member does more teaching than budgeted, his/her FTE assignment with the bureau will decrease.

The bureau transferred \$26,342 from equipment to personal services and

operating expenses. The difference in personal services of \$6,910 results as the budgeted amount did not include pay increases. The difference in operating expenses of \$18,546 is distributed through several line items, with the majority occurring in contracted services.

Current Level Adjustments

Current level FTE increase by 1.6 percent from the 1985 to the 1987 biennium as fiscal 1984 FTE were lower than the level authorized by the 1983 legislature.

The equipment budget in fiscal 1986 allows for the purchase of a four channel transducer system at a cost of \$19,833 and five water level recorders at a cost of \$6,000. In fiscal 1987, the equipment budget allows for the purchase of a water quality probe at a cost of \$13,500 and other miscellaneous scientific equipment at a cost of \$7,330.

The following table presents actual fiscal 1984 expenditures and projected expenditures for fiscal 1986 and 1987 for the following divisions within the bureau and for the cooperative groundwater research program with the United States Geological Survey:

1. Administration: Functions of this division include general record keeping, purchasing, sales, budget monitoring and control, filing, and personnel management. Also included in this budget is \$238,520 in fiscal 1986 and \$250,446 in fiscal 1987 to pay recharges by the college for administration (i.e. payroll, hiring) and operation and maintenance of plant. The amounts in each fiscal year represent a university transfer which becomes part of the college's budget. In prior bienniums these amounts were shown in the non-operating expense category. The bureau now includes the university transfer in contracted services.
2. Geology: This division is responsible for conducting research on metallic and non-metallic commodities, maintaining curatorship of the bureau's Mineral Museum, and preparing maps. The bureau's branch office in Billings conducts research primarily related to coal and the impact of coal mining on surface and groundwater resources.
3. Hydrogeology: This division is responsible for conducting studies relating to groundwater quality and quantity, and maintaining a groundwater database and water well monitoring network (150 wells). This division provides assistance to the public and to private entities on questions relating to groundwater. Also included in this division is

the Cooperative Research Program with the United States Geological Survey on groundwater resources. The budget provides \$160,000 in the 1987 biennium for cooperative groundwater studies with the United States Geological Survey.

4. Information: This division is responsible for editing and publishing reports, and provides statistical support to the other divisions.

In the 1987 biennium, 19 percent of the budget is for administration, 16 percent for the university transfer, 21 percent for geology, 22 percent for groundwater studies, 5 percent for cooperative groundwater studies with the U.S.G.S, and 17 percent for publications.

Table 1
Bureau of Mines Expenditures by Division
Fiscal 1984-1987

Division/Program	--Actual-- Fiscal 1984 ^a	-----Projected ^b -----	
		Fiscal 1986	Fiscal 1987
Administration	\$ 292,222	\$ 292,489	\$ 295,509
University Transfer	220,365	238,520	250,446
Geology	300,664	304,188	307,272
Hydrogeology	315,079	327,588	330,908
U.S.G.S.	79,088	80,000	80,000
Information	241,605	245,691	248,181
Total	<u>\$1,449,023</u>	<u>\$1,488,476</u>	<u>\$1,512,361</u>

^aSource: Fiscal year-end SBAS reports.

^bEstimated according to percent of budget spent in fiscal 1984.

CCOPERATIVE EXTENSION SERVICES

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	135.30	\$4,231,296	\$8,239,111
LFA Current Level	134.08	4,270,890	8,280,634
Executive Over (Under) LFA	<u>==1.22</u>	<u>\$ (39,594)</u>	<u>\$ (41,523)</u>

The executive budget is lower than current level in the 1987 biennium in general fund and total funds by \$39,594 and \$41,523, respectively. The following issues reflect the major differences between the executive budget and current level.

Issue 1: Inflation

The executive did not allow inflation in most budget items resulting in the executive budget being lower than the current level analysis in operating expenses by \$34,927 in fiscal 1986 and \$63,019 in fiscal 1987.

MODIFIED REQUESTS

Issue 2: Pesticides Specialist (1.22 FTE)

The executive budget funded a request by the extension service for a pesticide specialist at a cost of \$39,120 in fiscal 1986 and \$40,402 in fiscal 1987. The current level does not include funding for the pesticide specialist.

The specialist is being requested by the extension service to provide educational support and training to approximately 8,000 private applicators in Montana. Private applicators must be recertified every five years. Applicators located in two out of Montana's five certification districts must be recertified in the 1987 biennium.

The extension service currently has on staff a pesticide specialist whose funding support in the 1985 biennium including operating expenses is being provided from vacancy savings (70 percent) in the current unrestricted budget. A restricted grant from the Federal Environmental Protection Agency provides the remaining 30 percent of the specialist's financial support in the 1985 biennium.

COOPERATIVE EXTENSION SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	132.86	134.08	134.08	134.08	.5
Personal Service	\$3,286,434	\$3,397,726	\$3,433,219	\$3,433,219	2.7
Operating Expense	581,797	675,581	616,349	616,565	(1.9)
Equipment	24,181	25,016	20,222	14,881	(28.6)
Inflation	-0-	-0-	53,945	86,558	--
Total Operating Costs	\$3,892,412	\$4,098,323	\$4,123,735	\$4,151,223	3.5
Non-Operating Costs	2,838	3,439	2,838	2,838	(9.5)
Total Expenditures	<u>\$3,895,250</u>	<u>\$4,101,762</u>	<u>\$4,126,573</u>	<u>\$4,154,061</u>	<u>3.5</u>
<u>Fund Sources</u>					
General Fund	\$2,132,052	\$2,184,973	\$2,150,351	\$2,120,539	(1.1)
Federal Revenue	<u>1,763,198</u>	<u>1,916,789</u>	<u>1,976,222</u>	<u>2,033,522</u>	<u>9.0</u>
Total Funds	<u>\$3,895,250</u>	<u>\$4,101,762</u>	<u>\$4,126,573</u>	<u>\$4,154,061</u>	<u>3.5</u>

The Montana Cooperative Extension Service is charged with the responsibility of disseminating useful information to citizens throughout the state and to assist them in applying the information to their everyday problems. Most of the research information disseminated by the extension service is generated by scientists working for the Montana Agricultural Experiment Station at Bozeman, Montana.

Funding support in the 1987 biennium for the Cooperative Extension Service is provided from the general fund and from federal Smith-Lever funds. Federal Smith-Lever funds are allocated by the Extension Service of the United States Department of Agriculture. In fiscal 1986, \$1,929 of a projected carryover from fiscal 1985 Smith-Lever funds is used to maintain current level services. The budgeted personal services amount for fiscal 1985 includes \$40,425 of pay plan funds from House Bill 902.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table presents a comparison of actual fiscal 1984 expenditures to those anticipated by the 1983 legislature in the appropriation. As indicated in the table, the Cooperative Extension Service did not utilize \$103,024 of their fiscal 1984 appropriation. According to House Bill 902, unspent appropriation balances in fiscal 1984 can be transferred into fiscal 1985 to be used in funding

pay increases. The difference in personal services of \$33,595 represents vacancy savings. The difference in operating expenses of \$67,279 results from a savings in supplies and materials of \$30,000 and in-state travel of \$22,576. The balance of operating expense savings is distributed through several items.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	132.86	132.86	0.00
Personal Services	\$3,320,029	\$3,286,434	\$ 33,595
Operating Expenses	649,076	581,797	67,279
Equipment and Capital	29,169	27,019	2,150
Total Expenditures	<u>\$3,998,274</u>	<u>\$3,895,250</u>	<u>\$103,024</u>
<u>Funding</u>			
General Fund	\$2,137,314	\$2,132,052	\$ 5,262
Federal Revenue	1,860,960	1,763,198	97,762
Total Funds	<u>\$3,998,274</u>	<u>\$3,895,250</u>	<u>\$103,024</u>

Current Level Adjustments

The increase in FTE of .5 percent results from continuing the 1.22 FTE for a weed specialist authorized by the 1983 legislature for fiscal 1985.

The following adjustments were made to operating expenses: (1) Expenditures were increased \$30,000 for publications and \$22,576 for in-state travel, as the extension service reduced expenditures for these items in order to fund pay increases in fiscal 1984; (2) Operating expenses (several budget items) were increased \$6,348 for the weed specialist authorized by the 1983 legislature; (3) Operating expenses (several items) were reduced \$23,784 in fiscal 1986 and \$24,033 in fiscal 1987 in order to keep general fund support for AGNET at 50 percent of the projected cost of the computer based information system. These reduced general fund costs are to be picked up in AGNET's designated fund from user charges.

The following table presents AGNET expenditures and funding for fiscal years 1984, 1986 and 1987. As indicated in the table, general fund provided 69 percent of AGNET's funding support in fiscal 1984. The 1981 and 1983 legislatures appropriated general fund support for AGNET at 50 percent of its projected operating costs. The remainder of AGNET's funding base was to be financed from user fees. In fiscal 1984, user fees paid only 31 percent of the cost.

Table 1
AGNET - Expenditures and Funding
Fiscal 1984, 1986, and 1987

Budget Item	Actual ^a	-----Projected-----	
	Fiscal 1984	Fiscal 1986	Fiscal 1987
Personal Services (1.72 FTE)	\$ 41,055	\$ 42,360 ^b	\$ 42,360 ^b
Operating Expenses	72,222	80,383	85,608
Equipment	1,216	-0-	-0-
Total	<u>\$114,493</u>	<u>\$122,743</u>	<u>\$127,968</u>
Funding			
General Fund	\$ 79,505	\$ 61,372	\$ 63,984
User Fees	34,988	61,371	63,984
Total	<u>\$114,493</u>	<u>\$122,743</u>	<u>\$127,968</u>

^a Source: Fiscal year-end 1984 SBAS reports.

^b Average salaries were used in calculating personal service amounts for fiscal 1986 and 1987. Benefits and health insurance are included.

Table 2 presents seven months of user statistics for AGNET for fiscal years 1983 and 1984. As indicated in the table, program usage decreased by 63.2 percent from fiscal 1983 to 1984. The Mailbox, Markets, News Release and Conference Programs account for 69.2 percent of total program usage in fiscal 1983 and 51.2 percent in fiscal 1984. These programs are used exclusively by extension personnel in sending and receiving messages and transmitting news releases and market reports to field extension offices. Extension use of AGNET programs decreased by 69.2 percent from fiscal 1983 to 1984. Use of AGNET by private producers decreased by 49.8 percent over the same time period.

Table 2
Number of Times Programs Were Accessed
Fiscal 1982 and 1983*

<u>Program</u>	-----Seven Months-----		Percent Increase (Decrease) <u>1983-1984</u>
	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>	
Mailbox	5,012	578	(88.5)
Markets	2,631	2,058	(21.8)
News Release	1,418	171	(87.9)
Conference	<u>95</u>	<u>12</u>	<u>(87.4)</u>
Subtotal	9,156	2,819	(69.2)
All Other Programs	<u>4,075</u>	<u>2,045</u>	<u>(49.8)</u>
Total All Programs	<u>13,231</u> =====	<u>4,864</u> =====	<u>(63.2)</u> =====

*Source: Cooperative Extension Service.

The fiscal 1986 equipment budget, shown in the agency table, allows for the purchase of computer equipment at a cost of \$11,650, slide projection equipment at a cost of \$1,150, five replacement typewriters at a cost of \$3,000, and other miscellaneous office equipment at a cost of \$4,422. In fiscal 1987, the equipment budget allows for the purchase of a weed sprayer at a cost of \$300, a printer at a cost of \$2,200, five replacement typewriters at a cost of \$3,000, and other miscellaneous office equipment at a cost of \$9,381.

FORESTRY AND CONSERVATION EXPERIMENT STATION

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	20.14	\$1,330,380	\$1,330,380
LFA Current Level	20.14	1,350,672	1,350,672
Executive Over (Under) LFA	<u>0.00</u>	<u>\$ (20,292)</u>	<u>\$ (20,292)</u>

The executive budget is lower than current level in the 1987 biennium by \$20,292 in general fund. The following issues reflect the major differences between the executive and the current level.

Issue 1: Inflation

The executive did not allow inflation in most budget items which resulted in the executive being lower than the current level analysis in operating expenses by \$16,000 in the biennium. Additionally, the executive reduced current level expenditures for supplies and materials by \$10,000 per year.

Issue 2: Equipment

The executive provided \$13,700 more for equipment than the current level analysis in fiscal 1987 which partially offsets the executive's lower operating expenses.

FORESTRY AND CONSERVATION EXPERIMENT STATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	19.21	22.20	20.14	20.14	(2.7)
Personal Service	\$510,531	\$520,485	\$511,485	\$511,485	(.8)
Operating Expense	137,032	134,245	130,708	130,708	(3.6)
Equipment	25,694	32,958	19,609	17,500	(36.7)
Inflation	-0-	-0-	11,131	18,046	--
Total Expenditures	<u>\$673,257</u>	<u>\$687,688</u>	<u>\$672,933</u>	<u>\$677,739</u>	<u>(.8)</u>
Fund Sources					
General Fund	<u>\$673,257</u>	<u>\$687,688</u>	<u>\$672,933</u>	<u>\$677,739</u>	<u>(.8)</u>

The Forestry and Conservation Experiment Station is responsible for generating research and publications concerning the state's forests and related land resources. Research is conducted at the Lubrecht Experimental Forest and at other locations in Montana in cooperation with private, state, and federal entities. The amount budgeted for personal services in fiscal 1985 includes \$5,267 from House Bill 902 to be used in funding pay increases.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares actual fiscal 1984 expenditures to those anticipated by the 1983 legislature in the appropriation. As indicated in the table, the experiment station did not utilize \$153 of their fiscal 1984 appropriation. According to House Bill 902, unexpended appropriation balances in fiscal 1984 can be transferred into fiscal 1985 to help offset the cost of pay increases.

Budget Item	Legislature	Actual	Difference
F.T.E.	22.20	19.21	2.99
Personal Services	\$514,750	\$510,531	\$ 4,219
Operating Expenses	125,860	137,032	(11,172)
Equipment	32,800	25,694	7,106
Total Expenditures	<u>\$673,410</u>	<u>\$673,257</u>	<u>\$ 153</u>

The difference in personal services of \$4,219 represents vacancy savings. The difference in operating expenses of \$11,172 results primarily from an increase in charges by the University of Montana for administration of the experiment

station's payroll and for operation and maintenance of plant.

The decrease in FTE of 2.99 results from the experiment station using a portion of the salaries budgeted for part-time labor to hire additional classified employees which are at a higher salary level. The following table presents a comparison of actual FTE for fiscal 1984 to the level authorized by the 1983 legislature.

Table 1
Comparison of Actual FTE to Level Authorized by the 1983 Legislature
Fiscal 1984

<u>Classification</u>	<u>Authorized Fiscal 1984</u>	<u>Actual Fiscal 1984</u>	<u>Difference</u>
Faculty ¹	10.51	9.90	.61
Classified	4.25	6.12	(1.87)
Graduate Research Assistants	2.19	2.04	.15
Part-time	<u>5.25</u>	<u>1.15</u>	<u>4.10</u>
Total	<u>22.20</u>	<u>19.21</u>	<u>2.99</u>

¹Includes 1.33 FTE for administration.

Current Level Adjustments

Current level FTE decrease by 2.7 percent from the 1985 to the 1987 biennium. The decrease is a result of the experiment station using salaries budgeted for part-time labor to hire additional classified employees as explained above.

Operating expenses were reduced by \$4,017 in fiscal 1984 for fee waivers paid by the experiment station for graduate research assistants (GRA). Fee waivers are included in salaries in the 1987 biennium for GRA's.

The budget provides \$18,482 in fiscal 1986 and \$19,406 in fiscal 1987 to pay the University of Montana for costs associated with administering the station's payroll and for operation and maintenance of the plant. In prior bienniums this budget item had been shown in the non-operating expense category as a university transfer. The experiment station now includes the university transfer in operating expenses.

The equipment budget in fiscal 1986 provides for the purchase of fire suppression equipment at a cost of \$2,250, a programmable freezer at a cost of \$3,000, an autoclave at a cost of \$3,500, and other miscellaneous office and

scientific equipment at a cost of \$10,859. In fiscal 1987, the equipment budget provides for the purchase of field measuring equipment at a cost of \$2,000, two microcomputers and associated hardware at a cost of \$11,000, and other miscellaneous scientific equipment at a cost of \$4,500.

UNIVERSITY SYSTEM

	- - - - 1987 Biennium - - - -	
	General Fund	Total Funds
Executive Budget	\$152,740,025	\$238,269,389
LFA Current Level	148,136,391	236,839,404
Executive Over (Under) LFA	<u>\$ 4,603,634</u>	<u>\$ 1,429,985</u>

The executive recommendation differs from the current level analysis in several significant aspects. Table 1 compares the dollar differences by program, funding source, and unit.

Table 1
Executive Budget--Current Level Analysis Comparison
Colleges and Universities

	- - - - - 1987 Biennium - - - - -		
Program	Executive Budget	LFA Current Level	Executive Over (under) LFA
Instruction	\$126,673,238	\$124,491,497	\$ 2,181,741
Support	75,012,305	73,484,758	1,527,547
Research	1,925,161	2,095,926	(170,765)
Public Service	862,509	866,512	(4,003)
Plant Operation & Maintenance	27,936,566	30,123,337	(2,186,771)
Scholarships & Fellowships	5,859,610	5,777,374	82,236
Total	<u>\$238,269,389</u>	<u>\$236,839,404</u>	<u>\$ 1,429,985</u>
Revenue Source			
General Fund	\$152,740,025	\$148,136,391	\$ 4,603,634
Tuition & Fees	52,564,115	53,860,047	(1,295,932)
Millage	29,143,000	28,170,000	973,000
Land Grant	-0-	1,940,000	(1,940,000)
Indirect Cost	2,978,049	3,350,000	(371,951)
Federal & Other	844,200	1,382,966	(538,766)
Total	<u>\$238,269,389</u>	<u>\$236,839,404</u>	<u>\$ 1,429,985</u>
Unit			
Montana State University	\$ 93,959,475	\$ 92,935,861	\$ 1,023,614
University of Montana	73,271,035	72,479,436	791,599
Eastern Montana College	28,336,126	27,930,751	405,375
Northern Montana College	16,025,335	14,658,280	1,367,055
Western Montana College	8,013,181	7,870,990	142,191
Montana College of Mineral Science & Technology	18,664,237	20,964,086	(2,299,849)
Total	<u>\$238,269,389</u>	<u>\$236,839,404</u>	<u>\$ 1,429,985</u>

Both the executive budget and the current level analysis were developed using concepts of the Legislative Finance Committee's university funding formula implemented in the 1981 legislative session. There were differences, however, that resulted in the executive recommending an overall expenditure level exceeding the LFA current level analysis by \$1,429,985. Revenue changes endorsed by the executive resulted in general fund requirements in the executive budget exceeding the current level analysis by \$4,603,634.

Formula Funding Differences

The executive budget exceeds the current level analysis for the Instruction and Support Programs by \$3,709,288. The executive recommends funding the Instruction and Support Programs at 100 percent of the formula amount. The LFA current level analysis funds the Instruction Program at 97 percent of the peers and the Support Program at 95 percent.

Expenditure Base Differences

The current level analysis exceeds the executive budget for the Research, Public Service and Plant Programs by \$2,361,539. This occurred because the current level used the estimated fiscal year 1985 personal services appropriation to estimate the base year personal services. The executive used the lower of the units' requests or fiscal year 1984 actual expenditures. Another factor affecting these programs is the current level analysis applied inflation through the 1987 biennium. The executive did not apply inflation between fiscal 1986 and 1987.

Revenue Differences

The executive recommendation for general fund exceeds the current level analysis by \$4.6 million. This occurs because of differences in four revenue sources: tuition and fees, land grant income, indirect cost reimbursements, and miscellaneous sources. The executive budget includes tuition revenue at \$1.2 million less than the current level analysis.

The \$1.9 million difference in land grant income results from the executive budget recommending this revenue not be used for general operations. The LFA current level analysis maintains this revenue for general operating purposes.

The \$371,951 difference in indirect cost revenue results from the executive recommending 70 percent of anticipated indirect cost reimbursements be used as operating revenue. The current level analysis maintains 85 percent of anticipated revenue.

The \$538,766 difference in other revenue occurs primarily as the LFA current level analysis includes \$448,966 in the 1987 biennium as a transfer from the Bureau of Mines to Montana Tech for indirect cost functions. The executive budget does not include this transfer.

UNIVERSITY SYSTEM

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
Montana State University	\$ 43,119,843	\$ 44,768,964	\$ 46,138,914	\$ 46,796,947	5.7
University of Montana	33,962,084	34,980,952	35,955,232	36,524,204	5.1
Eastern Montana College	12,953,854	13,576,872	13,862,123	14,068,628	5.3
Northern Montana College	6,761,867	7,354,494	7,280,872	7,377,408	3.8
Western Montana College	3,588,856	3,697,596	3,819,744	4,051,246	8.0
Montana College of Mineral Science and Technology	8,995,170	10,207,163	10,416,713	10,547,373	9.2
Total Expenditures	<u>\$109,381,674</u>	<u>\$114,586,041</u>	<u>\$117,473,598</u>	<u>\$119,365,806</u>	<u>5.7</u>
Fund Sources					
General Fund	\$ 71,835,679	\$ 74,841,706	\$ 74,080,362	\$ 74,056,029	.8
Tuition and Fees	21,114,658	22,775,000	26,043,716	27,816,331	22.7
Millage	13,074,000	13,787,210	14,019,000	14,151,000	5.9
Land Grant	980,515	847,000	970,000	970,000	6.2
Indirect Costs	1,707,946	1,702,125	1,675,000	1,675,000	(1.8)
Other	<u>668,876</u>	<u>633,000</u>	<u>685,520</u>	<u>697,446</u>	<u>6.2</u>
Total Funds	<u>\$109,381,674</u>	<u>\$114,586,041</u>	<u>\$117,473,598</u>	<u>\$119,365,806</u>	<u>5.7</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Enrollment Decline	\$(2,152,468)	\$ (725,666)	\$(3,270,990)	\$(1,199,479)
2. Legislative Funding Level	\$ 3,718,572	-0-	\$ 3,707,069	-0-
3. Support Rate				
Option a:	\$ 1,557,017	-0-	\$ 1,554,278	-0-
Option b:	\$ 3,499,878	-0-	\$ 3,488,651	-0-
4. New Space				
Option a:	\$ 188,077	-0-	\$ 510,202	-0-
Option b:	\$ 8,075	-0-	\$ 426,973	-0-
5. Computer Equipment				
Option a:	\$ 2,483,896	-0-	\$ 222,878	-0-
Option b:	\$ 1,241,948	\$1,241,948	\$ 111,439	\$ 111,439
6. Tuition Rates				
Option a:	\$ (586,920)	\$ 586,920	\$ (995,112)	\$ 995,112
Option b:	\$(1,490,049)	\$1,490,049	\$(1,561,648)	\$1,561,648

The Montana University system consists of two universities and four colleges which collectively serve over 26,000 students each year. The current level budget presented here provides a biennial expenditure increase of 5.7 percent system-wide, with individual unit increases ranging from 3.8 percent to 9.2 percent in the 1987 biennium. The presentation of the university system budgets differs

from prior years in that "built-in" cost increases resulting from enrollment increases or full formula funding are not included in current level.

The current level analysis presents the estimated expenditures which would result from: (1) student enrollment at the fiscal year 1985 appropriated level; (2) the funding level for the enrollment driven programs (instruction and support) as appropriated by the 1983 legislature; (3) adjustments for inflationary increases; and (4) tuition and fee increases of 8.5 percent in fiscal 1986 and 5 percent in fiscal 1987 which would maintain tuition at peer levels used by the 48th Legislature to set the appropriation.

PROGRAM EXPENDITURES

The university system expenditures are categorized in six functional areas, including: instruction, support, plant operation and maintenance, research, public service, and scholarships and fellowships. The program expenditures for each unit, as estimated by the current level analysis, are listed in Table 1.

Table 1
Program Expenditures by Unit
1987 Biennium

<u>Program</u>	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>WMC</u>	<u>MCMST</u>	<u>Total</u>
<u>Fiscal 1986</u>							
Instruction	\$25,461,078	\$18,411,039	\$ 6,757,063	\$4,051,969	\$2,028,117	\$ 5,264,127	\$ 61,973,393
Support	13,947,626	10,847,802	4,727,207	2,127,491	1,119,727	3,668,115	36,437,968
Plant Operations							
and Maintenance	5,036,211	5,155,434	1,876,335	909,448	610,314	1,196,334	14,784,076
Research	570,756	430,489	-0-	-0-	-0-	42,060	1,043,305
Public Service	10,140	198,514	213,286	9,151	-0-	-0-	431,091
Scholarships and							
Fellowships	1,113,103	911,954	288,232	182,813	61,586	246,077	2,803,765
Total	<u>\$46,138,914</u>	<u>\$39,955,232</u>	<u>\$13,862,123</u>	<u>\$7,280,872</u>	<u>\$3,819,744</u>	<u>\$10,416,713</u>	<u>\$117,473,598</u>
<u>Fiscal 1987</u>							
Instruction	\$25,629,937	\$18,516,612	\$ 6,791,535	\$4,071,675	\$2,218,645	\$ 5,289,700	\$ 62,518,104
Support	14,181,268	11,028,786	4,805,801	2,163,347	1,138,605	3,728,983	37,046,790
Plant Operations							
and Maintenance	5,223,430	5,374,551	1,949,126	939,324	628,052	1,224,778	15,339,261
Research	572,430	437,211	-0-	-0-	-0-	42,980	1,052,621
Public Service	10,278	200,795	215,044	9,304	-0-	-0-	435,421
Scholarships and							
Fellowships	1,179,604	966,249	307,122	193,758	65,944	260,932	2,973,609
Total	<u>\$46,796,947</u>	<u>\$36,524,204</u>	<u>\$14,068,628</u>	<u>\$7,377,408</u>	<u>\$4,051,246</u>	<u>\$10,547,373</u>	<u>\$119,365,806</u>

Enrollment

The university funding formula relies heavily on student enrollment estimates to develop the instruction and support programs. As a result, the first budgeting factor focused on during session is the estimated student enrollment.

In the 1983 biennium interim, the office of the Commissioner of Higher Education established an enrollment task force with the purpose of developing a method to estimate enrollments. That effort yielded a fairly sophisticated computer model which uses historical information to forecast enrollments. Table 2 illustrates the enrollment estimates developed by the Board of Regents and those developed by the Legislative Fiscal Analyst. The regents' estimate, originally developed from the enrollment task force model, was revised when fall 1984 enrollment reports indicated enrollments were approximately 3.5 percent lower than the same time period in fall 1983. The regents' estimate the enrollment decline will be 3.3 percent system-wide from the actual fiscal 1984 level.

The LFA estimate, which uses the basic concepts of the enrollment task force model, shows a system-wide decrease in each year of the 1987 biennium.

Table 2
Student Full-Time Equivalents
Montana University System
1985 - 1987 Biennium

	Actual 1984	Budgeted 1985	Revised ¹ 1985	- Regent Estimate - 1986	1987	- LFA Estimate - 1986	1987
MSU	10,782	10,693	10,364	10,364	10,364	10,265	10,103
UM	8,336	8,283	8,144	8,144	8,144	8,349	8,157
EMC	3,503	3,597	3,422	3,422	3,422	3,533	3,597
NMC	1,745	1,641	1,725	1,725	1,725	1,668	1,624
WMC	882	864	861	861	861	800	793
MCMST	2,090	2,373	1,931	1,931	1,931	2,060	1,993
System	<u>27,338</u>	<u>27,451</u>	<u>26,447</u>	<u>26,447</u>	<u>26,447</u>	<u>26,675</u>	<u>26,267</u>

¹This is the regent estimate of fiscal 85 FYFTE's based on a two year ratio of summer and fall FYFTE to total FYFTE.

Instruction

The instruction program represents approximately 50 percent of total expenditures funded from current unrestricted operating funds at the units. Costs relating to instruction and instruction support within the academic departments are recorded in this program. The major factors used in developing this budget other than enrollment are: student faculty ratios, average faculty salary and benefits, critical area adjustment, and an instructional support rate per fiscal year full-time equivalent student (FYFTE) unique to each campus which reflects the varying enrollments in the units' academic disciplines. The current level analysis uses a three year average enrollment by discipline to estimate the instructional support cost rate. Table 3 lists the instruction budget factors for each unit in the 1987 biennium.

Table 3
Instruction Program Budget Factors
1987 Biennium

	Student Faculty Ratio	FY 1985 Average Faculty Salary	Academic Year Faculty Benefits	Instruction Support Rate		Critical Area Adjustments
				1986	1987	
MSU	18.13	\$28,816	19.344 %	\$578.21	\$594.49	\$342,000
UM	18.86	28,816	19.444 %	466.90	480.04	266,000
EMC	19.21	25,934	19.807 %	350.98	360.86	72,000
NMC	14.23	25,934	19.807 %	439.36	451.84	17,500
WMC	15.31	25,934	19.707 %	487.08	500.79	9,000
MCMST	17.54	27,087	19.610 %	394.69	405.80	187,506

The instruction budget was funded by the 1983 legislature at 97 percent and is, therefore, budgeted at 97 percent for the current level analysis. Issue 2, presented later, discusses the fiscal impact of changing the funding level of the instruction budget.

Support

The support program includes three major activities: academic, student services, and institutional support. Expenditures such as those relating to academic deans, libraries, intercollegiate athletics, student counselling services, registrar, budgeting, personnel and other financial and academic administration are recorded in the support program. The budget for the support program is based primarily

on a cost per FYFTE student. The rate used in the current level analysis reflects similar expenditures at the university and college peers at the time of the original formula study. Issue three discusses the results of an interim study performed by the Legislative Fiscal Analyst which examined support expenditures at Montana's peer institutions.

In addition to the flat rate per student, an adjustment is allowed for those schools who experience large numbers of part-time students. This adjustment, called the high head count adjustment, recognizes that the institution's workload is not accurately measured by the FTE enrollment. For the first time since the formula was implemented, each university system unit will receive a high head count adjustment in the 1987 biennium.

Table 4 lists the support rate and high head count adjustment used for each unit in the current level analysis. As the support budget was funded at 95 percent by the 1983 legislature, the current level support budget is continued at 95 percent.

Table 4
Support Program Budget Factors
1987 Biennium

	--Support Rate for FY FTE-- Fiscal 1986	Fiscal 1987	-High Headcount Adjustment- Fiscal 1986	Fiscal 1987
MSU	\$1,299	\$1,321	\$64,381	\$64,381
UM	1,299	1,321	95,878	95,878
EMC	1,290	1,312	91,281	91,281
NMC	1,290	1,312	10,986	10,986
WMC	1,290	1,312	5,348	5,348
MCMST	1,534	1,560	28,779	28,779

Plant Operation and Maintenance

The plant operation and maintenance program includes those activities that relate to operation and maintenance of grounds and facilities. The budget for this program is based on actual 1984 expenditures with negative adjustments for budget amendments or program transfers. Positive adjustments were allowed for new space costs approved for fiscal 1985 by the 1983 legislature. Another adjustment allowed for this and other incrementally budgeted programs was to recognize the attempt at vacancy savings used to fund pay plan increases in fiscal 1985. All personal services were budgeted at the estimated fiscal 1985 appropriated level.

or the units' request, whichever was lower. Issue 4 discusses new space requests for the 1987 biennium.

Research and Public Service

The research program includes those organized activities that produce research outcomes. Public services activities include those non-instructional services established for the benefit of individuals and groups external to the institution. Both the research and public service budgets are based on fiscal 1984 actual expenditures, with adjustments for budget amendments, program transfers and inflation.

Scholarships and Fellowships

This program relates to the mandatory and discretionary fee waivers the units grant. Mandatory fee waivers were estimated from fiscal year 1984 actual mandatory waivers with adjustments for the LFA estimated tuition rate increase for fiscal year 1986 and 1987. Table 5 lists the type of student who is eligible for mandatory fee waivers.

Table 5
Recipients of Mandatory Fee Waivers

Indian Students	Custodial Students
Veterans	High School Honor Scholarship
War Orphans	Community College Honor
Prisoners of War	National Merit
Senior Citizens	

Discretionary fee waivers are calculated as 5.25 percent of the registration and resident incidental fees and 18.45 percent of non-resident incidental fees.

REVENUE SOURCES

The Montana university system units are funded from several sources, including: general fund, tuition and fees, proceeds from the statewide six mill levy, land grant income, indirect cost reimbursements, and other miscellaneous sources.

Table 6 details the current level funding estimate for each revenue source by unit for the 1987 biennium. The largest funding source is the state general fund, followed by tuition and fees and millage.

Table 6
Revenue Sources by Unit
1987 Biennium

Revenue Source	MSU	UM	EMC	NMC	WMC	MCMST	Total	% of Total
-Fiscal 1986-								
General Fund	\$28,707,929	\$22,293,369	\$ 8,825,458	\$5,176,460	\$2,481,972	\$ 6,595,174	\$ 74,080,362	63.1
Tuition Fees	10,213,480	8,600,087	2,954,195	1,238,272	722,164	2,315,518	25,043,716	22.2
Millage	5,537,505	4,261,776	1,822,470	841,140	448,608	1,107,501	14,019,000	11.9
Land Grant	420,000	250,000	150,000	-0-	150,000	-0-	970,000	.8
Indirect Costs	960,000	450,000	80,000	20,000	15,000	150,000	1,675,000	1.4
Other	300,000	100,000	30,000	5,000	2,000	248,520	685,520	.6
Total	\$46,138,914	\$35,955,232	\$13,862,123	\$7,280,872	\$3,819,744	\$10,416,713	\$117,473,598	100.0
-Fiscal 1987-								
General Fund	\$28,623,247	\$22,263,168	\$ 8,797,361	\$5,173,305	\$2,653,846	\$ 6,545,102	\$ 74,056,029	62.0
Tuition Fees	10,904,055	9,159,132	3,171,637	1,330,043	777,568	2,473,896	27,816,331	23.3
Millage	5,589,645	4,301,904	1,839,630	849,060	452,832	1,117,929	14,151,000	11.9
Land Grant	420,000	250,000	150,000	-0-	150,000	-0-	970,000	.8
Indirect Costs	960,000	450,000	80,000	20,000	15,000	150,000	1,675,000	1.4
Other	300,000	100,000	30,000	5,000	2,000	260,446	697,446	.6
Total	\$46,796,947	\$36,524,204	\$14,068,628	\$7,377,408	\$4,051,246	\$10,547,373	\$119,365,806	100.0

General Fund

The current level estimate of general fund results from first applying all non-general fund sources to the estimated expenditures with the balance being general fund. General fund is estimated to increase 0.7 percent in the 1987 biennium for the system. Pay increases, when added, will be fully funded by general fund.

Tuition and Fees

The tuition and fee estimate used in the current level analysis is based upon rates charged at Montana's university peers and the funding level approved by the 1983 legislature. The legislature established the tuition and fee estimate in the 1983 session based at 94 percent of the peer rate for resident students and 100 percent of the peer rate for non-residents. The estimated rates for the 1987 biennium are continued at this level. Table 7 illustrates the actual fiscal 1985 tuition rates and the 1987 biennium rates used in the current level analysis.

Table 7
Actual and Current Level Tuition Rates Per Academic Year

	- - - - Resident - - - -			- - - - Non-Resident - - - -		
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
MSU	\$585	\$662	\$711	\$1,620	\$1,727	\$1,817
UM	585	662	711	1,620	1,727	1,817
EMC	585	662	711	1,260	1,367	1,457
NMC	585	662	711	1,260	1,367	1,457
WMC	585	662	711	1,260	1,367	1,457
MCMST	585	662	711	1,620	1,727	1,817

Statewide Six Mill Levy

Through voter approval of a 1978 referendum, the state is authorized to collect up to six mills on the taxable value of all real and personal property in the state. The proceeds of the levy are used for the support, maintenance, and improvement of the Montana University System and other public education institutions subject to Board of Regents supervision. These funds are subject to legislative appropriation. The current level analysis estimated \$14.02 million will be available in fiscal 1986 and \$14.15 million in fiscal 1987.

Indirect Costs Reimbursement, Land Grant Income, and Other

The estimated funding from these revenue sources was based on historical collections at each unit.

Issue 1: Decreasing Enrollments

The anticipated system-wide student enrollment for the 1987 biennium is estimated to be 3.4 percent lower than the fiscal year 1984 actual and fiscal 1985 appropriated levels. The actual, budgeted, and projected FYFTE enrollment is illustrated in Table 8. The fiscal 1985 budgeted enrollment has been used in the development of current level.

Table 8
FYFTE Student Enrollment
FY 1984 Actual, FY 85 Budgeted, FY 86-87 Projected

	Actual Fiscal <u>1984</u>	Appropriated Fiscal <u>1985</u>	----- Projected ----- Fiscal <u>1986</u>	Fiscal <u>1987</u>	% Change 83-85 <u>Biennium</u>
MSU	10,782	10,693	10,265	10,103	(5.2)
UM	8,336	8,283	8,349	8,157	(.7)
EMC	3,503	3,597	3,533	3,597	.4
NMC	1,745	1,641	1,668	1,624	(2.8)
WMC	882	864	800	793	(8.8)
MCMST	<u>2,090</u>	<u>2,373</u>	<u>2,060</u>	<u>1,993</u>	<u>(9.2)</u>
System	<u><u>27,338</u></u>	<u><u>27,451</u></u>	<u><u>26,675</u></u>	<u><u>26,267</u></u>	<u><u>(3.4)</u></u>

Decreasing enrollment can be expected to continue in future years. Estimated high school graduates are expected to decrease relative to June 1984 through June 1987, according to the Office of Public Instruction. The high school graduates are expected to increase in 1988 and 1989 (fiscal years 1989 and 1990) and then drop off again after 1990. Approximately one-half of the system's first-time resident freshmen belong to the same year's high school graduating class.

The impact of changing enrollment is felt in the instruction, support, and scholarships and fellowships programs. The Instruction Program would feel the biggest fiscal impact. Using the three-year average student faculty ratio used to calculate the current level budget, the projected FYFTE student enrollment

decline translates into a system-wide decrease of 43.57 FTE faculty in fiscal 1986 and an additional 23.14 FTE faculty in fiscal 1987 for a total faculty decrease of 66.71 from the LFA current level analysis which funds 1,523.27 FTE faculty.

As the current level analysis is based upon fiscal 1985 appropriated levels it does not include recognition of the projected enrollment decline. If the Instruction Program is budgeted at the current level and the enrollment drops to the projected level, the system-wide student faculty ratio would decrease from 18.07 budgeted in current level to 17.51 in fiscal 1986 and 17.24 in fiscal 1987 and costs on a per student basis would rise.

Table 9 details the fiscal impact of the declining enrollments. Total expenditure reductions from current level would be \$2,878,134 in fiscal 1986 and \$4,470,469 in fiscal 1987. The reduction in tuition and fee revenue would total \$725,666 in fiscal 1986 and \$1,199,479 in fiscal 1987. The difference between the expenditure reduction and the tuition revenue reduction would be general fund savings: \$2,152,468 in fiscal 1986 and \$3,270,990 in fiscal 1987.

Table 9
Issue One: Expenditure and Revenue Impact Resulting from
Estimated Enrollment Changes

	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>WMC</u>	<u>MCMST</u>	<u>System</u>
<u>Fiscal 1986</u>							
Expenditure Impact:							
Instruction	\$ (1,005,832)	\$ 143,259	\$ (118,983)	\$ 66,390	\$ (149,584)	\$ (670,351)	\$ (1,735,101)
Support	(555,822)	85,711	(82,567)	34,833	(82,566)	(480,220)	(1,080,631)
Scholarship & Fellowship	(34,903)	5,998	(3,201)	1,159	(3,607)	(27,848)	(62,402)
Total Expenditure Impact	<u>\$ (1,596,557)</u>	<u>\$ 234,968</u>	<u>\$ (204,751)</u>	<u>\$ 102,382</u>	<u>\$ (235,757)</u>	<u>\$ (1,178,419)</u>	<u>\$ (2,878,134)</u>
Revenue Impact:							
Change in Tuition & Fees	\$ (404,004)	\$ 65,746	\$ (51,407)	\$ 20,127	\$ (52,160)	\$ (303,968)	\$ (725,666)
Change in General Fund	(1,192,553)	169,222	(153,344)	82,255	(183,597)	(874,451)	(2,152,468)
Total Revenue Impact	<u>\$ (1,596,557)</u>	<u>\$ 234,968</u>	<u>\$ (204,751)</u>	<u>\$ 102,382</u>	<u>\$ (235,757)</u>	<u>\$ 1,178,419</u>	<u>\$ (2,878,134)</u>
<u>Fiscal 1987</u>							
Expenditure Impact:							
Instruction	\$ (1,395,860)	\$ (275,100)	-0-	\$ (42,005)	\$ (181,602)	\$ (817,939)	\$ (2,712,506)
Support	(779,095)	(166,383)	-0-	(22,303)	(93,148)	(592,762)	(1,653,691)
Scholarships & Fellowship	(51,118)	(12,155)	-0-	(786)	(4,305)	(35,908)	(104,272)
Total Expenditure Impact	<u>\$ (2,226,073)</u>	<u>\$ (453,638)</u>	<u>-0-</u>	<u>\$ (65,094)</u>	<u>\$ (279,055)</u>	<u>\$ (1,446,609)</u>	<u>\$ (4,470,469)</u>
Revenue Impact:							
Change in Tuition & Fees	\$ (595,024)	\$ (134,019)	-0-	\$ (13,623)	\$ (62,418)	\$ (394,395)	\$ (1,199,479)
Change in General Fund	(1,631,049)	(319,619)	-0-	(51,471)	(216,637)	(1,052,214)	(3,270,990)
Total Revenue Impact	<u>\$ (2,226,073)</u>	<u>\$ (453,638)</u>	<u>-0-</u>	<u>\$ (65,094)</u>	<u>\$ (279,055)</u>	<u>\$ (1,446,609)</u>	<u>\$ (4,470,469)</u>

Issue 2: Legislative Funding Level

Since the implementation of the university funding formula, the legislature has generally chosen to fund the formula driven budget at levels less than 100 percent of peer institutions. In the 1983 session, the legislature funded the instruction budget at 97 percent of the peers both years of the current biennium and funded the support program at 95 percent both years.

The university system is requesting the legislature fund the instruction and support budgets at 100 percent in the 1987 biennium. The fiscal impact of implementing full formula funding in the 1987 biennium after adjusting for the enrollment changes presented in issue one is illustrated in Table 10. The general fund would absorb the entire expenditure increase. The total general fund increase in the 1987 biennium would be \$7,425,541. The net effect of providing funding at 100 percent of the peer level and recognizing the projected enrollment drop would be a total budget increase over current level of \$840,438 in fiscal 1986 and reduction of \$763,400 in fiscal 1987, a net increase in the biennium of \$77,038.

Table 10
Issue Two: General Fund Impact of Implementation Full Formula Funding
1987 Biennium

	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>WMC</u>	<u>MCNST</u>	<u>System</u>
<u>Fiscal 1986</u>							
Expenditures Revised for Enrollment:	\$44,542,357	\$36,190,200	\$13,657,372	\$7,383,254	\$3,583,987	\$9,238,294	\$114,595,464
Expenditures Revised for Full Formula Funding:	\$46,003,537	\$37,334,111	\$14,107,129	\$7,624,432	\$3,696,674	\$9,548,153	\$118,314,036
General Fund Increase	<u>\$ 1,461,180</u>	<u>\$ 1,143,911</u>	<u>\$ 449,757</u>	<u>\$ 241,178</u>	<u>\$ 112,687</u>	<u>\$ 309,859</u>	<u>\$ 3,718,572</u>
<u>Fiscal 1987</u>							
Expenditures Revised for Enrollment:	\$44,570,874	\$36,070,566	\$14,068,628	\$7,312,314	\$3,772,191	\$9,100,764	\$114,895,337
Expenditures Revised for Enrollment:	\$46,025,759	\$37,201,060	\$14,531,612	\$7,549,629	\$3,890,216	\$9,404,130	\$118,602,406
General Fund Increase	<u>\$ 1,454,885</u>	<u>\$ 1,130,494</u>	<u>\$ 462,984</u>	<u>\$ 237,315</u>	<u>\$ 118,025</u>	<u>\$ 303,366</u>	<u>\$ 3,707,069</u>

Issue 3: Peer Support Rate

During the 1985 biennium interim, the Legislative Finance Committee requested the Legislative Fiscal Analyst to examine the support expenditures of Montana's college and university peers to determine if the base rate used to develop the support program budget in Montana is comparable to the peers' expenditure level. We found that the university peers were spending an average of \$1,335 per FYFTE in fiscal 1983 while Montana used \$1,237 per FYFTE as the base support rate to set the 1983 appropriation. Conversely, the college peers reported spending an average of \$1,169 per FYFTE, while the base support rate used to establish the college's support rate was \$1,229 per FYFTE. Montana Tech's peers reported an average FYFTE expenditure of \$1,473; \$1,462 was the base support rate used to calculate the support appropriation for fiscal 1993 at Tech.

The report examined several factors to determine the cause of the rate differences. For the university peer group, it was found that slower enrollment growth at the peer institutions relative to Montana's enrollment increases may have impacted the peer rate. In addition, it was thought the peers may have placed more emphasis on the support program in recent years because the peers support rate increased faster than its state appropriation increase between fiscal 1980 and 1983. Finally, the peer response mix may have impacted the calculated peer support rate as more high cost peers responded to this survey than to the original formula study in fiscal 1979.

Two factors thought to impact the college peer group were support program priority and the peer response mix. The study found that college peer institutions had received total state appropriations exceeding inflation between fiscal 1980 and 1983, however, its support rate increased less than inflation. This may indicate the peer institutions had been placing a higher priority on non-support functions such as instruction. This would leave fewer funds available for support, and thus a lower support rate. The peer response mix was thought to impact the peer support rate because more low cost peers responded to this survey than to the original formula study in fiscal 1979. The opposite effect was experienced with the university peer group.

Because the foundation of the university funding formula is based on parity with the peers, this apparent disparity of the base support rate presents an issue for the legislature: Should the base support rate be adjusted for each unit to equal its respective peer average rate?

Option a: Change the base support rate used to develop Montana's college

and university support appropriation to equal the updated peer rates and maintain the funding level at 95 percent. This rate change would cost an additional \$3.1 million in the 1987 biennium after consideration of enrollment reductions. Northern, Western, and Eastern would receive decreases in their support budgets while MSU, UM, and MCMST would receive increases.

Option b: Change the base support rate to equal the updated peers, but increase the funding level to 100 percent. This option would cost an additional \$7 million in the 1987 biennium after consideration of enrollment reductions.

Option c: Do not change the base support rate.

Table 11 illustrates the fiscal impact after consideration of enrollment adjustments of implementing base rate changes and setting the funding level at 95 percent and 100 percent. All cost increases would be borne by the general fund.

Table 11
Issue Three: Impact of Changing Base Support Rate

Unit	-----Additional Cost/(Savings)-----			
	95% of Updated Rate		100% of Updated Rate	
	<u>86</u>	<u>87</u>	<u>86</u>	<u>87</u>
MSU	\$1,053,189	\$1,055,764	\$1,813,452	\$1,816,708
UM	856,607	852,406	1,477,140	1,468,975
EMC	(221,519)	(232,366)	11,277	8,341
NMC	(104,584)	(104,911)	3,718	2,554
WMC	(50,160)	(51,228)	1,787	1,100
MCMST	<u>23,484</u>	<u>24,613</u>	<u>192,504</u>	<u>190,973</u>
System	<u>\$1,557,017</u>	<u>\$1,544,278</u>	<u>\$3,499,878</u>	<u>\$3,488,651</u>

Issue 4: New Space

Montana State University and Montana Tech have submitted requests for additional plant operating and maintenance funds as a result of new construction expected to be completed in the 1987 biennium. In addition, the University of Montana is requesting a base adjustment for its fine arts building as the legislature approved an adjustment in fiscal 1985 equal to eleven, rather than 12, months. Table 12 summarizes the new space adjustments requested by the university units and those proposed by our office. Our analysis found the estimated completion date of July 1, 1986 for the engineering/classroom laboratory building at Montana Tech appears realistic and the agency's request of \$3.00 per square

foot in fiscal 1987 is in line with the rent charged state agencies in the capitol complex. Therefore, no adjustment to Montana Tech's new space request is proposed.

The estimated completion dates on MSU's controlled environment facility have been delayed because the bid solicited in the fall of 1984 came in over the estimate. The LFA proposed adjustment in Table 12 anticipates a six-month delay for completion.

Finally, we propose the base adjustment for the Performing Arts and Radio/Television Building at the University of Montana be equal to one-eleventh of the adjustment provided for 1985, plus inflation. This adjustment is reflected on Table 12.

Table 12
New Space Adjustments
Agency Request and LFA Proposed

Unit/Facility	----- Agency Request -----		----- LFA Proposed -----	
	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
MSU-Controlled Environment	\$173,142	\$315,337	-0-	\$238,414
UM - Performing Arts/Radio/TV	14,865	14,865	8,075	8,559
MCMST-Engineering Lab/Classroom ¹	-0-	180,000	-0-	180,000
Total	<u>\$188,007</u>	<u>\$510,202</u>	<u>\$8,075</u>	<u>\$426,973</u>

¹ Includes a \$15,000 one-time moving cost allowance.

Issue 5: Computer Equipment Acquisition

Four university units have submitted requests for computer hardware acquisitions totaling \$2,706,774 in the 1987 biennium. The equipment will be used for academic and administrative purposes.

The requests are summarized in Table 13. MSU's total request of \$1,062,274 would provide \$767,136 for upgrading existing equipment, \$171,400 to complete a campus-wide computer network plan, and \$123,738 for additional maintenance costs. UM's \$1,000,000 request is for replacement of its DECSYSTEM-20 computer and to provide funds for capacity expansion. EMC's request for \$335,000 includes \$290,000 for the purchase of new equipment to supplement its existing

computer hardware, \$25,000 for graphic terminals, and \$20,000 for point-of-transaction machines for the business office. Montana Tech's request of \$309,500 is \$195,000 for expanding the capacity of its existing central computer and \$114,500 for the purchase of microcomputers.

Table 13
Computer Equipment Acquisition and Funding

Unit	----Requested Amount----		Proposed Use of Funds
	<u>FY 86</u>	<u>FY 87</u>	
MSU	\$ 998,896	\$ 63,378	Equipment upgrade, network- ing and maintenance
UM	1,000,000	-0-	Equipment replacement
EMC	290,000	45,000	New equipment
MCMST	<u>195,000</u>	<u>114,500</u>	Equipment capacity expansion, new microcomputers
Total	<u>\$2,483,896</u>	<u>\$222,878</u>	

The units have requested the funding for these computer purchases be provided from the general fund. The legislature may want to consider sources other than the general fund for the purpose of providing a portion or all of the funding for these requests. These alternative sources include:

1. Revenue earned from computer services provided by each units central computing facility; and
2. Revenue earned from the special computer fee assessed. each regular student.

The units requesting this computer equipment operate their central computing facility as a service center. This means the computer center bills the computer users for the time the computer is used. The instruction program represents the largest user based on dollar volume billed out. Other large users are administrative functions and student service activities. Most of the financial support comes from the current unrestricted operating fund. The proceeds of the computer center charges are deposited into a designated account. Each university unit has submitted its 1987 biennium proposed budget for its computer center operation. Table 14 summarizes for each unit the following information regarding its computer center designated account:

1. its anticipated beginning fund balance in fiscal 1986;
2. its anticipated net revenue earned from operations in the 1987 biennium;
and
3. its budgeted equipment expenditures for the 1987 biennium.

As indicated on the table each unit has some funds available which the legislature may use to partially fund the request. Even if the fund balance was not used, each unit would have funds available from anticipated net revenue and/or budgeted equipment expenditures.

Table 14
Computer Center Operations Proposed by Units

	Beginning Fund Balance FY 86	1987 Biennium Anticipated Net Revenue	Anticipated Equipment Purchases	Total Funds Available
MSU	\$ 5,236	\$75,618	\$187,794	\$268,648
UM	132,512	-0-	372,383	504,895
EMC	126,123	22,875	10,705	159,703
MCMST	9,000	-0-	23,280	32,280

Source: CHE112 forms submitted with budget requests.

The second alternative funding source the legislature may want to consider for the computer equipment requests is the special computer fees assessed each regular student attending a unit of the university system. In July 1983, the Board of Regents authorized the assessment of a special fee on all students for the purpose of acquiring, either by lease or purchase, computer hardware, software, and related items for the benefit of the instruction program. Proceeds from this fee assessment are deposited into plant fund accounts. This fee is scheduled for review by the Board of Regents in January 1985.

As a portion of the requested equipment will be used for academic purposes, the legislature may want to consider requiring the units to use their present or future computer fee revenue to fund a portion of its request.

Table 15 illustrates the estimated unencumbered balances of the computer fees as of November 1, 1984, and the estimated annual fee collection based on fiscal 1985 appropriated enrollments. Each unit appears to have existing balances and/or anticipated collections to contribute towards the purchase of its computer equipment request.

Table 15
Special Computer Fee

Unit	Unencumbered	---Estimated Collections---		Total
	Balance 11/1/84	FY 1986	FY 1987	Available
MSU	\$304,691	\$365,000	\$365,000	\$1,034,691
UM	92,406	295,000	295,000	682,406
EMC	32,528	125,000	125,000	282,528
MCMST ¹	(14,995)	72,000	72,000	129,005

¹ MCMST does not separate its computer fee in a separate account or responsibility center. This estimate was derived by calculating the differences between the fee revenue and data processing equipment purchases.

Option a: Approve the computer equipment requests and fund them from the general fund. This would require an additional \$2,483,896 in fiscal 1986 and \$222,878 in fiscal 1987 for new and replacement computer equipment.

Option b: Approve the computer equipment requests but require the units to use non-general fund sources to finance one-half of their computer equipment purchases. This would require an additional \$1,241,948 of general fund in fiscal 1986 and \$111,439 of general fund in fiscal 1987 for computer purchases. The remaining necessary funds would be provided from either special computer fees now collected and deposited into a plant fund or from each units computer service center's net operating revenue. Both of these fund types are subject to legislative appropriation.

Option c: Take no action in regards to the computer equipment requests leaving the units and the regents the opportunity to apply designated funds and fees to make the acquisitions they find worthy.

Issue 6: Tuition Rates

As indicated in the current level discussion on tuition and fee revenue, the legislature in 1983 established the resident tuition and fee rate based on 94 percent of the estimated peer average in the 1985 biennium, and non-resident tuition and fees at 100 percent.

The Commissioner of Higher Education has recommended to the Board of Regents that resident tuition and fees be set at 97 percent of his estimate of the

peer average in fiscal 1986 and 99 percent in fiscal 1987. The recommended non-resident tuition and fee rates are proposed to continue at 100 percent of the estimated peer average. The board has traditionally acted on the commissioner's tuition recommendation at the December regents' meeting prior to the legislative session.

The legislature may want to consider setting the tuition and fee authority that would reflect both resident and non-resident tuition rates at 100% of the estimated peer average in the 1987 biennium, particularly if the instruction and support budgets are funded at 100 percent.

Table 16 illustrates the current level tuition rates, the commissioner's proposed tuition rates, and the 100 percent of peer.

Table 16
Tuition Rates
Current Level and Proposed

	-----Current Level-----		-----CIE Proposal-----		-----100 % of Peers-----	
	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident
<u>Fiscal 1986</u>						
MSU	\$662	\$1,727	\$693	\$1,695	\$725	\$1,664
UM	662	1,727	693	1,695	725	1,664
EMC	662	1,367	693	1,335	725	1,304
NMC	662	1,367	693	1,335	725	1,304
WMC	662	1,367	693	1,335	725	1,304
MCMST	662	1,727	693	1,695	725	1,664
<u>Fiscal 1987</u>						
MSU	\$711	\$1,817	\$765	\$1,748	\$778	\$1,750
UM	711	1,817	765	1,748	778	1,750
EMC	711	1,457	765	1,388	778	1,390
NMC	711	1,457	765	1,388	778	1,390
WMC	711	1,457	765	1,388	778	1,390
MCMST	711	1,817	765	1,748	778	1,750

Non-resident students pay the resident tuition plus the additional non-resident tuition. All three proposals would place the non-resident total tuition at 100 percent of the anticipated peer levels in fiscal 1986 and 1987. The LFA expects this will be \$2,389 in fiscal 1986 and \$2,528 in fiscal 1987. Because the commissioner expects slightly lower inflation in the 1987 biennium, his proposed non-resident tuition total \$2,388 in fiscal 1986 and \$2,513 in fiscal 1987.

Table 17 details the additional revenue which would result from adopting the commissioner's proposed rates or from establishing an appropriation based on 100 percent for resident and non-resident rates. These estimates reflect the LFA projected enrollment declines. The estimated additional revenue from using the commissioner's proposed rate is \$586,920 in fiscal 1986, and \$995,112 in fiscal

1987. Establishing tuition rates at 100 percent of the estimated peer average is estimated to generate an additional \$1,490,049 in fiscal 1986 and \$1,561,648 in fiscal 1987.

Table 17
Issue Six: Fiscal Impact of Changing Tuition Rates

Unit	--CHE--		100% Peers	
	86	87	86	87
MSU	\$243,677	\$406,729	\$ 567,669	\$ 594,184
UM	180,529	297,156	443,617	460,934
EMC	79,792	146,729	224,538	243,120
NMC	38,975	68,423	104,212	107,905
WMC	8,529	17,248	45,799	48,280
NCMST	35,418	58,827	104,214	107,225
System	<u>\$589,920</u>	<u>\$995,112</u>	<u>\$1,490,049</u>	<u>\$1,561,648</u>

Summary

Table 18 on the following page summarizes the impact on the current level budget caused by implementation of the following factors:

1. LFA estimated enrollment;
2. 100 percent funding for instruction;
3. 100 percent funding for support; and
4. 100 percent tuition rates.

The system-wide expenditure impact from all the above changes would be a \$931,867 increase in fiscal 1986 caused primarily from the increase resulting from full formula funding. The net expenditure increase would be funded from an increase in tuition and fee revenue of \$764,383 and a general fund increase of \$167,484. The tuition and fee revenue increases because the additional revenue as a result of the tuition rate increase offsets tuition losses from enrollment declines.

In fiscal 1987, the system-wide expenditure impact would be a decrease of \$667,363 from the current level budget. This results from expenditure reductions caused by enrollment declines exceeding the increase for full formula funding of the enrollment driven portion of the budget. General fund decreases by \$1,029,532 from current level in fiscal 1987 because the tuition rate increase

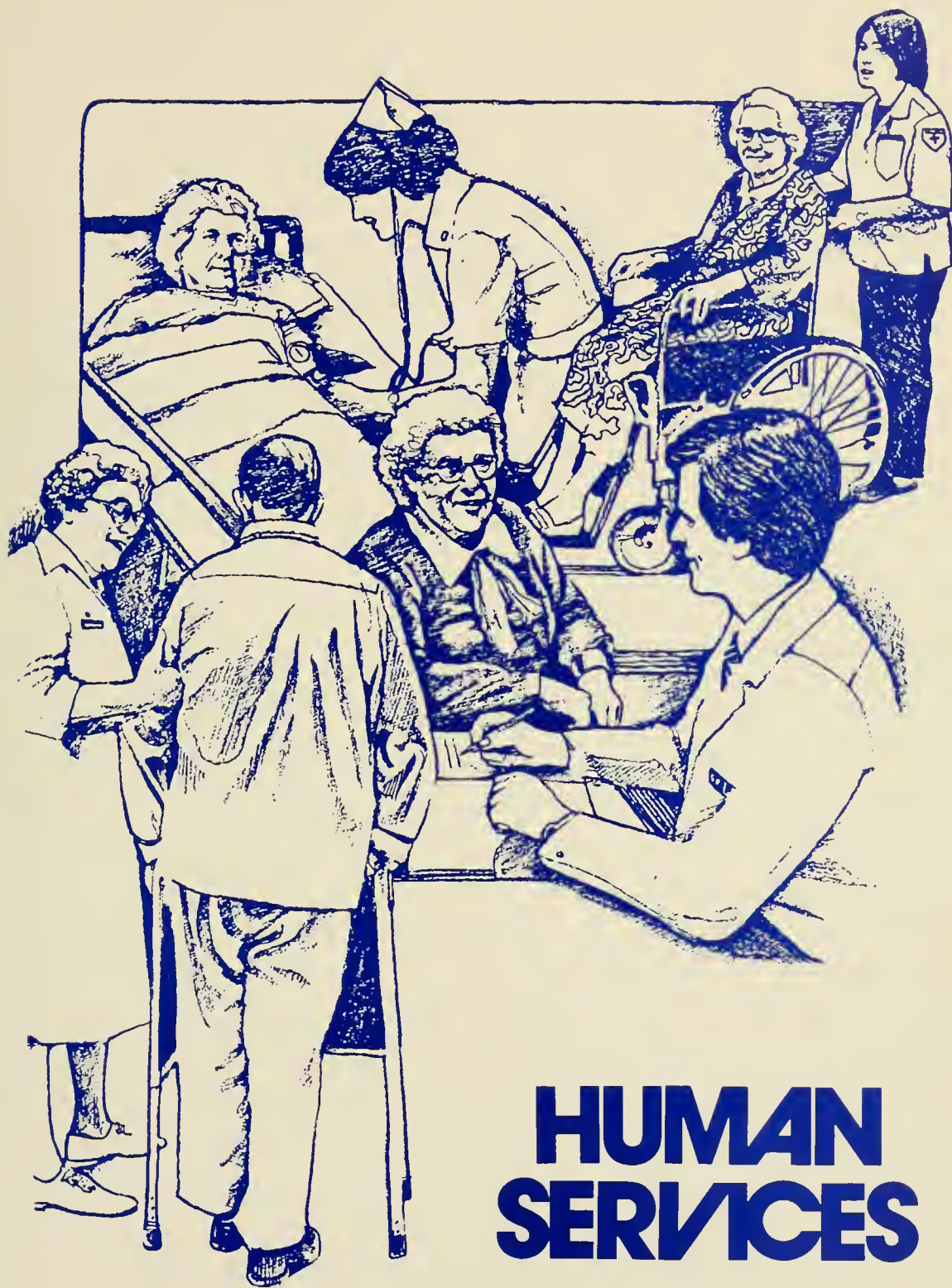
causes tuition revenue to increase \$362,169 over current level, even facing enrollment declines.

On an individual unit basis, MSU, WMC & MCMST would receive expenditure decreases both years of the 1987 biennium as their anticipated enrollment decreases, each estimated to be greater than 5 percent, exceed the increase resulting from full formula funding.

The opposite effect is evident at UM, EMC and NMC. These units would receive an expenditure increase each year of the 1987 biennium because the effect of enrollment decreases are offset by higher expenditures for full formula funding.

Table 18
Summary of Expenditure Impact on Current Level Budget
LFA Projected Enrollment, 100% Formula Funding, 100% Tuition Rates

Fiscal 1986	MSU	UN	EMC	NMC	WMC	MCMST	SYSTEM
Expenditures							
1) Enrollment Adjustment	\$ (1,596,557)	\$ 234,968	\$ (204,751)	\$ 102,382	\$ (235,757)	\$ (1,178,419)	\$ (2,878,134)
2) 100% Funding for Enrollment Driven Formula	\$ 1,461,180	\$ 1,143,911	\$ 449,757	\$ 241,178	\$ 112,687	\$ 309,859	\$ 3,718,572
3) 100% Tuition Rate	32,945	21,454	17,274	12,263	2,707	4,786	91,429
Expenditure Impact	\$ (102,432)	\$ 1,400,333	\$ 262,280	\$ 355,823	\$ (120,363)	\$ (863,774)	\$ 931,867
Tuition and Fees							
General Fund	\$ 163,665	\$ 509,363	\$ 173,131	\$ 124,339	\$ (6,361)	\$ (199,754)	\$ 764,383
	(266,097)	890,970	89,149	231,484	(114,002)	(664,020)	167,484
Funding Impact	\$ (102,432)	\$ 1,400,333	\$ 262,280	\$ 355,823	\$ (120,363)	\$ (863,774)	\$ 931,867
Fiscal 1987							
Expenditures							
1) Enrollment Adjustment	\$ (2,226,073)	\$ (453,638)	\$ -0-	\$ (65,094)	\$ (279,055)	\$ (1,446,609)	\$ (4,470,469)
2) 100% Funding of Enrollment Driven Portion	1,454,885	1,130,494	\$ 462,984	\$ 237,315	\$ 118,025	\$ 303,366	\$ 3,707,069
3) 100% Tuition Rate	34,534	22,403	18,478	12,802	2,849	4,971	96,037
Expenditure Impact	\$ (736,654)	\$ 699,259	\$ 481,462	\$ 185,023	\$ (158,181)	\$ (1,138,272)	\$ (667,363)
Tuition and Fees							
General Fund	\$ (840)	\$ 326,915	\$ 243,120	\$ 94,282	\$ (14,138)	\$ (287,170)	\$ 362,169
	(735,814)	372,344	238,342	90,741	(144,043)	(851,102)	(1,029,532)
Funding Impact	\$ (736,654)	\$ 699,259	\$ 481,462	\$ 185,023	\$ (158,181)	\$ (1,138,272)	\$ (667,363)



HUMAN SERVICES

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCE

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	240.25	\$7,446,412	\$47,355,248
LFA Current Level	215.35	6,540,472	38,347,473
Executive Over (Under) LFA	<u>24.90</u>	<u>\$ 905,940</u>	<u>\$ 9,007,775</u>

The executive is \$9,007,775 over current level primarily due to the inclusion of \$8,793,398 over the biennium in modified requests, which add 24 FTE each of fiscal 1986 and 1987. The difference in general fund is primarily due to three factors: (1) modified requests by the executive totaling \$257,688, (2) the substitution by the executive of general fund for anticipated reductions in federal fund availability and (3) the changing of state/federal funding ratio to shift to more state support.

Issue 1: Maternal and Child Health (MCH) Block Grant

Expected MCH block grants are \$1,897,421 for each year of the biennium. The following table shows actual 1984 uses, projected fiscal 1986-87 allocations by the executive and current level analysis allocations.

Table 1
Maternal and Child Health Block Grants

Program	FY 84	- - Executive - -		- Current Level -	
		FY 86	FY 87	FY 86	FY 87
Director's Division					
Director's Office Administration	\$ 28,264	\$ 30,000	\$ 30,000	\$ 30,924	\$ 31,593
Grants to Counties	-0-	626,539	651,601	-0-	-0-
Health Services Administration Bureau		23,683	23,727	-0-	-0-
Nursing Bureau					
Administration	25,873	28,000	28,000	27,289	27,341
Family Planning	25,787	28,000	29,000	27,584	27,691
Clinical Bureau					
Administration	36,854	40,826	41,102	41,405	43,061
Handicapped Children	647,445	709,016	812,931	749,972	786,981
Grants to Counties	782,623	-0-	-0-	664,701	664,701
Newborn Transport	-0-	66,000	66,000	-0-	-0-
Total	<u>\$1,546,846</u>	<u>\$1,552,064</u>	<u>\$1,682,361</u>	<u>\$1,541,875</u>	<u>\$1,581,368</u>
Remainder to be Allocated		\$ 345,357	\$ 215,060	\$ 355,546	\$ 316,053
Modified Requests					
Dental Bureau					
Mouthrinse		\$ 30,000			
Clinical Bureau					
Cleft Palate		52,500	52,500		
Perinatal		<u>204,599</u>	<u>220,819</u>		
Total		<u>\$ 287,099</u>	<u>\$ 273,319</u>		
Remainder to be Allocated		<u>\$ 58,258</u>	<u>\$ (58,259)</u>		

The Perinatal Program includes an additional 3 FTE. There are no mandated programs. There is no limit on the amount of the grant that may be used for administrative purposes, but use of the grant for administration must be well documented. Grants to counties are made when all needs of the department of health are met. If the grant is more or less than anticipated, grants will fluctuate.

Issues to be addressed are:

1. Which programs should continue to be funded by the grant and at what levels?
2. How much of the grant will be used for administrative purposes?
3. Which, if any, new programs should be funded by the grant?

Issue 2: Preventive Health (PH) Block Grant

For fiscal 1986 and 1987, \$632,187 is anticipated in preventive health block grants. The following table shows actual fiscal 1984 uses, projected fiscal 1986-87 allocations by the executive, and current level analysis allocations.

Table 2
Preventive Health Block Grant

<u>Program</u>	<u>FY 84</u>	<u>- Executive -</u>		<u>- Current Level -</u>	
		<u>FY 86</u>	<u>FY 87</u>	<u>FY 86</u>	<u>FY 87</u>
Director's Division					
Director's Office	\$ 44,975	\$ 43,587	\$ 48,645	\$ 48,029	\$ 48,596
Rape Crisis	10,260	11,970	11,970	11,970	11,970
Management Service Division					
Microbiology Lab	34,000	34,000	34,000	34,000	34,000
Health Services and Medical Facilities Div.					
Health Services Admin. Bureau	-0-	10,150	10,168	-0-	-0-
Dental Bureau					
Health Education	34,671	75,922	73,113	33,258	33,784
Hypertension	78,105	-0-	-0-	-0-	-0-
Nursing Bureau					
Family Planning	203,968	148,478	113,079	157,319	125,803
Clinical Bureau					
Diabetes	34,157	-0-	-0-	-0-	-0-
Emergency Medical Services Division	<u>167,128</u>	<u>202,858</u>	<u>221,586</u>	<u>199,113</u>	<u>209,165</u>
Total	<u>\$607,264</u>	<u>\$526,965</u>	<u>\$512,561</u>	<u>\$483,689</u>	<u>\$463,318</u>
Remainder to be allocated		\$105,222	\$119,626	\$148,498	\$168,869
<u>Modified Requests</u>					
Nursing Bureau					
Nursing Operations		\$ 93,573	\$ 91,664		
Family Planning		<u>11,649</u>	<u>11,653</u>		
Total		<u>\$105,222</u>	<u>\$103,317</u>		
Remainder to be Allocated		-0-	\$ 16,309		

The modified requests include an additional 3 FTE in nursing operations and an additional .5 FTE in family planning.

The Rape Crisis Program is mandated under the grant. Hypertension was mandated until fiscal 1985, when it was no longer required as a condition of receiving the grant. The executive budget proposes shifting these funds to the Health Education and Risk Reduction Programs in the Dental Bureau and the Emergency Medical Services Bureau. The Health Education and Risk Reduction Program purchased equipment in fiscal 1984, resulting in the lower level required in fiscal 1986-1987. Ten percent of the grant may be used for administrative purposes.

There are four additional programs eligible for funds:

1. Communicable Disease in the Nursing Bureau.
2. Dental in the Dental Bureau.
3. Perinatal in the Clinical Bureau.
4. Tumor Registry in the Clinical Bureau.

However, the grant contains a non-supplementation clause, meaning no grant money may be used in place of former state participation. With the exception of the Perinatal Program, which is on a modified budget request, PH funds could be used only to expand the present programs.

The issues to be addressed are:

1. Should present programs continue to be funded with PH block funds?
2. Which, if any, programs can be expanded?
3. Which new programs should be funded?

DIRECTOR'S OFFICE

Issue 3: Transfer of Grant Authority

The executive budget contains \$626,539 in fiscal 1986 and \$651,601 in fiscal 1987 in maternal and child health block grants to counties. This transfer does not include any FTE or operating expense transfer. Current level has retained the grant authority in the Clinical Bureau of the Health Services and Medical Facilities Division at the department's requested level of \$664,701 each year of the biennium.

Issue 4: Reduction in Legal Expenses

The executive has reduced funds for legal service costs from \$22,716 in fiscal 1984 to \$5,000 in both fiscal 1986 and fiscal 1987 as part of the proposed restructuring of the Legal Bureau. This sum would be used for outside legal assistance. Current level has maintained fiscal 1984 levels. For a further discussion of the proposed restructure, see the issue under the Legal Bureau.

BOARD OF HEALTH

Issue 5: Expenses of the Board

Current level has increased per diem and other expenses of the board to allow the board to meet the statutory six times each year of the biennium. This is \$3,017 over the executive level in fiscal 1986 and \$3,489 in fiscal 1987.

LEGAL

Issue 6: Restructure

Currently, the Legal Bureau is funded via hourly charges to the rest of the Department of Health and Environmental Sciences for legal services provided. The bureau presently includes 3 FTE lawyer positions and 2 FTE support staff.

The executive has recommended a restructure that includes transferring 2 FTE to the Environmental Science Division: 1 FTE lawyer to the Water Quality Bureau and .5 FTE support personnel to both the Solid Waste and Air Quality Bureaus. These personnel would be supported by the present funding mix in each of the bureaus. The remaining personnel in the Legal Bureau would be supported by general fund rather than the present system of recharges. The total cost of this bureau in the executive request is \$104,163 in fiscal 1986 and \$104,745 in fiscal 1987 of general fund. This proposed restructure will increase the general fund contribution to the legal expenses of the agency. Current level retains the positions and continues to fund the bureau with recharges for legal services provided at a cost of \$169,902 in fiscal 1986 and \$171,432 in fiscal 1987.

FINANCIAL MANAGEMENT

Issue 7: Funding

The indirect cost pool funds the Fiscal Services and Financial Management Administration Bureaus of this division, with some general fund contribution. Current level assumes \$16,000 more indirect funds available in fiscal 1986 and \$7,500 more indirect funds in fiscal 1987. The executive also assumes \$10,000

fewer funds available each year of the biennium from the National Center for Health Statistics to fund the Records and Statistics Bureau than does current level.

Issue 8: Printing

The executive has included \$9,450 in fiscal 1987 to print certificates in the Records and Statistics Bureau. Since the certificates will not be paid for until fiscal 1988, this expense is not included in current level.

Issue 9: Child Nutrition Audit

The executive has included \$25,000 of federal funds each year of the biennium to fund a Child Nutrition Program audit. This modified request is not included in current level.

Issue 10: Equipment Purchase

The executive has included general fund totaling \$21,848 in fiscal 1986 and \$3,996 in fiscal 1987 to complete the automation of the Records and Statistics Bureau. This modified request is not included in current level.

ENVIRONMENTAL SCIENCES ADMINISTRATION

Issue 11: Bureau Funding

In fiscal 1984, this bureau was funded by general fund; state junk vehicle; federal special revenue, which is primarily composed of indirect funds; and safe drinking water funds. The executive proposes that the bureau be entirely funded by non-general fund revenue, including an increased level of junk vehicle funds and the inclusion of resource indemnity trust (RIT) fund monies. Current level has maintained general fund at the fiscal 1984 level and does not include RIT funds.

SOLID WASTE

Issue 12: In-state Hazardous Waste Site

The executive has included \$20,000, \$15,000 in federal hazardous waste funds and \$5,000 in RIT funds to plan an in-state hazardous waste site. Current level does not include this expense.

Issue 13: Hazardous Waste

The Governor's budget includes RIT and Environmental Protection Agency (EPA) hazardous waste funds totaling \$264,667 over the biennium to support an

additional 3.5 FTE and related operating expenses in the Hazardous Waste Section. This expansion is not included in current level.

Issue 14: Hazardous Waste Dump Inventory

The executive includes an additional 1.5 FTE and \$83,742 in EPA funds to continue the Hazardous Waste Dump Inventory Program. This modified request is not included in current level.

Issue 15: Superfund

The Governor's budget includes \$4,841,828 in RIT and Environmental Protection Agency funds for Montana's Superfund Program. Two FTE are added for the program. Current level does not include this modified budget request.

Issue 16: Lawyer

The executive has removed all legal expenses and requested the addition of a .5 FTE lawyer to exclusively handle all the legal needs of the bureau at a total cost of \$30,834 over the biennium. The position is funded by general fund, junk vehicle, RIT and federal funds. Current level does not include this expansion of FTE and includes legal expenses totaling \$49,590 over the biennium.

AIR QUALITY

Issue 17: Legal Position

The executive budget has removed all legal expenses and includes the addition of a .5 FTE lawyer to exclusively handle all legal needs of this bureau at a total cost of \$30,834 over the biennium. The position is completely funded by general fund. Current level does not include this FTE expansion and retains legal expenses at the fiscal 1984 level, totaling \$28,862 over the biennium.

Issue 18: Tribal Assistance

The Governor has included federal EPA funding to continue the tribal assistance project. Since this project was added via budget amendment in the 1985 biennium, it is not included in current level.

OCCUPATIONAL HEALTH

Issue 19: X-Ray Inspector

The executive budget includes an additional 1 FTE and related operating expenses totaling \$75,156 over the biennium not included in current level to increase the number and frequency of x-ray inspections. The expansion would be entirely general funded.

WATER QUALITY

Issue 20: Increased General Fund Support

The Subdivision Section, which provides inspection of subdivision plans and sites, is currently supported exclusively by developer fees. The executive proposes that the program be partially supported by general fund of \$86,000 over the biennium. Current level continues to entirely fund the program with developers fees.

Issue 21: Subdivision FTE

Current level has deleted 1 FTE and \$15,633 in fiscal 1987 in the Subdivision Section due to an expected funding shortfall. The executive retains the position.

Issue 22: Water Quality Management

The Water Quality Management Section is funded by federal funds with general fund support. The executive proposes offsetting expected decreases in federal fund availability with general fund, totaling \$90,000 over the biennium. This increase in general fund support is not included in current level, but is presented as an issue.

Issue 23: Clark Fork Study

The executive budget includes \$93,004 of federal funds to complete the Clark Fork study in fiscal 1986. The total includes funding for 1 FTE. This modified request is not included in current level.

Issue 24: Groundwater

The Governor's budget includes \$185,620 of Environmental Protection Agency funds to expand groundwater contamination investigations. One FTE is included in this expansion.

HEALTH SERVICES AND MEDICAL FACILITIES DIVISION

Issue 25: Health Services Administration FTE Transfer

The executive has transferred 1.9 FTE totaling \$125,715 in personal services and \$9,453 in operating costs from the Health Planning and Licensing and Certification Bureaus. The federal authorities had suggested this move to shift administrative costs from federal to state support. The bureau would be 50 percent supported by general fund and 50 percent supported by federal block grant funds. Since this move was not mandated by the federal authorities, it is not included in current level.

DENTAL

Issue 26: Hypertension

The Hypertension Program is no longer mandated by the federal government as a condition for receiving the preventive health block grant. Current level deletes the .5 position and all operating expenses from the Dental Bureau, while the executive retains the position and \$50,000 in operating costs over the biennium, funded by preventative health block grant funds.

CLINICAL

Issue 27: Food Payments

The executive budget and current level both include \$4,100,000 in federal Women, Infant and Children (WIC) food payments, which is based on the department's estimation of funds availability. However, the executive has applied additional inflation totaling approximately \$340,000 over the biennium. Current level does not apply additional inflation to this figure, since the federal authorities make payments that take into account fluctuations in the price of food. On a modified request the executive has included a total of \$2,064,434 in federal WIC and child nutrition funds: \$128,234 to support an additional 2.5 FTE, \$1,536,200 in additional food payments and \$400,000 in grants.

Issue 28: Handicapped Children's Services

The executive has included an additional \$23,036 in fiscal 1986 and \$126,536 in fiscal 1987 over current level to provide payments for providers of services to handicapped children.

Issue 29: Newborn Transport

Federal funding for the Newborn Transport Program has ended. The executive has included \$66,000 each year of the biennium of maternal and child health block grants to continue funding the program, compared with a \$50,000, two-year appropriation in the 1985 biennium. Because of the loss of federal funding and the requested change in funds source, the program is not included in current level but is presented as an issue.

Issue 30: Administrative Costs

Current level includes federal women, infants and children funds to support 1 FTE in the Clinical Administration Section. The executive continues to fund this FTE with general fund at a cost of approximately \$67,300 over the biennium.

EMERGENCY MEDICAL SERVICES

Issue 31: Certification Expansion

The executive has included an expansion of \$46,000 in each year of the biennium for additional advanced training and certification of emergency medical personnel, to be funded by a combination of certification fees and preventative health block grant funds. This expansion is not included in current level.

LICENSING AND CERTIFICATION

Issue 32: Funding

This bureau has three funding sources: general fund and federal medicaid and medicare, which contributed 24 percent, 22 percent and 54 percent, respectively, to total bureau funding in fiscal 1984. The funds support state and federal licensing and certification requirements. In response to communications with the federal authorities, the executive has raised general fund contribution by 89 percent to \$234,660 in fiscal 1986 or 44.7 percent of the total funds needs of the bureau. Since the increase in general fund contribution was not mandated by the federal authorities, current level retains the actual 1984 general fund contribution of 24 percent.

Issue 33: Consultant Payment

The executive has increased the payment to the bureau's building construction consultant by approximately \$15,000 over the biennium. Current level does not include this increase as the bureau was appropriated a construction consultant position that remained vacant all year.

Issue 34: Additional Surveyors

The Governor's budget includes 2 additional FTE to help meet federal requirements for medical facilities inspections. The FTE would be 44.5 percent funded by general fund. Current level does not include this expansion.

Issue 35: Unannounced Surveys

The executive includes \$31,449 in fiscal 1986 and \$30,959 in fiscal 1987 of general fund to fund an additional 1 FTE surveyor position to perform unannounced surveys. This position is not included in current level.

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	229.15	224.18	216.35	215.35	(4.7)
Personal Service	\$ 5,895,656	\$ 5,723,643	\$ 5,872,931	\$ 5,867,064	.1
Operating Expense	7,763,559	7,111,182	7,313,505	7,265,316	(2.0)
Equipment	174,701	27,823	86,435	17,878	(48.5)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>192,326</u>	<u>333,820</u>	<u>---</u>
Total Operating Costs	\$13,833,916	\$12,862,648	\$13,465,197	\$13,484,078	.9
Non-Operating Costs	<u>6,160,650</u>	<u>5,566,333</u>	<u>5,682,050</u>	<u>5,716,148</u>	<u>(2.8)</u>
Total Expenditures	<u>\$19,994,566</u>	<u>\$18,428,981</u>	<u>\$19,147,247</u>	<u>\$19,200,226</u>	<u>(.2)</u>
<u>Fund Sources</u>					
General Fund	\$ 3,486,390	\$ 3,585,279	\$ 3,298,854	\$ 3,241,618	(7.5)
State Special	1,291,340	1,650,346	1,717,102	1,746,338	17.7
Federal Revenue	15,215,516	13,193,356	14,131,291	14,212,270	(.2)
Other Funds Approp.	<u>1,320</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>--</u>
Total Funds	<u>\$19,994,566</u>	<u>\$18,428,981</u>	<u>\$19,147,247</u>	<u>\$19,200,226</u>	<u>(.2)</u>

The Department of Health and Environmental Sciences is responsible for promoting and protecting the health of Montanans. It is composed of five divisions: The Director, Financial Management, Environmental Sciences, Management Sciences and Health Services and Medical Facilities.

DIRECTOR'S DIVISION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	14.00	13.00	14.00	14.00	3.7
Personal Service	\$427,051	\$418,845	\$457,773	\$459,152	8.4
Operating Expense	315,683	266,272	213,838	213,838	(26.5)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>4,651</u>	<u>8,743</u>	<u>--</u>
Total Operating Costs	\$742,734	\$685,117	\$676,262	\$681,733	(3.1)
Non-Operating Costs	<u>10,260</u>	<u>10,260</u>	<u>11,970</u>	<u>11,970</u>	<u>16.7</u>
Total Expenditures	<u>\$752,994</u>	<u>\$695,377</u>	<u>\$688,232</u>	<u>\$693,703</u>	<u>(4.6)</u>
<u>Fund Sources</u>					
General Fund	\$506,578	\$451,763	\$427,407	\$430,112	(10.5)
Other Funds Approp.	<u>246,416</u>	<u>243,614</u>	<u>260,825</u>	<u>263,591</u>	<u>7.0</u>
Total Funds	<u>\$752,994</u>	<u>\$695,377</u>	<u>\$688,232</u>	<u>\$693,703</u>	<u>(4.6)</u>

<u>Issue: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Fund</u>
1. Renal Program	\$42,000	-0-	\$42,000	-0-

The Director's Division is responsible for overall management and program support for the Department of Health and Environmental Sciences. It is composed of three bureaus: the Director's Office, which coordinates and provides policy development and administration for the department and administers the Renal Program; the Board of Health, which advises the department in matters concerning the public health; and Legal Services, which provides all aspects of legal representation to the entire department of health.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	13.00	14.00	1.00
Personal Services	\$439,735	\$427,051	\$12,684
Operating Expenses	<u>321,233</u>	<u>315,683</u>	<u>5,550</u>
Total Operating Costs	\$760,968	\$742,734	\$18,234
Non-Operating Costs	<u>10,260</u>	<u>10,260</u>	<u>-0-</u>
Total Expenditures	<u>\$771,228</u>	<u>\$752,994</u>	<u>\$18,234</u>
<u>Funding</u>			
General Fund	\$523,379	\$506,578	\$16,801
Federal Revenue	<u>247,849</u>	<u>246,416</u>	<u>1,433</u>
Total Funds	<u>\$771,228</u>	<u>\$752,994</u>	<u>\$18,234</u>

When the department was reorganized in 1983, a secretary III position allocated to the Director's Office was placed in the centralized word processing center in the Management Services Division. This position has been transferred back to the Director's Office. In addition to federal preventive health and maternal and child health block grants, federal special revenue includes legal fees of the Legal Bureau. The bureau, in fiscal 1984, received \$164,350 and spent \$162,915.

Current Level Adjustments

The Board of Health is mandated to meet six times per year, but met only four times in fiscal 1984. Per diem and other board expenses were raised a total of \$4,538 to allow the board to meet the statutory number of times. The board has a contract with a law firm totaling \$8,000 to represent it in contested cases, of which \$455 was spent in fiscal 1984. It has been restored to \$8,000. Those adjustments have increased amounts allowed for the board from \$8,817 spent in fiscal 1984 to \$21,655 in fiscal 1986 and \$22,127 in fiscal 1987.

Non-operating expenses consist of the federal Rape Crisis Program. A total of \$1,710 was added to meet the federally mandated level. The program is funded from the preventive health block grant.

The Family Practice Residency, which provided training to resident physicians in family practice, has been removed from current level. Expenses of the program totaled \$65,000 in fiscal 1984. All expenditures of the Health Information Center totaling \$47,400 have also been removed. The center provided for a centralized information source for lay persons and health professionals. The project

was appropriated \$94,800 for fiscal 1984. However, it did not begin operation until midway through the fiscal year. The remainder of the allocation was expended in fiscal 1985. Both projects, funded with general fund, were added by the 1983 legislature in fiscal 1984 and were due to expire after one year. The department had not originally requested their inclusion and is not requesting their continuation.

Funding

The Director's Office is funded from three sources: general fund and Preventive Health (PH) and Maternal and Child Health (MCH) block grant administrative funds. A total of \$11,970 of the PH block grant is mandated for the Rape Crisis Program. The Renal Program uses \$125,000 each year of general fund. The following table shows the breakdown in funding.

Table 1
Funding Source Contributions--Director's Office

	<u>FY 86</u>	<u>FY 87</u>
General Fund	\$405,752	\$407,985
MCH	30,924	31,593
PH	59,999	60,566
Total	<u>\$496,675</u>	<u>\$500,144</u>

The Board of Health, totaling \$21,655 in fiscal 1986 and \$22,127 in fiscal 1987, is entirely general funded. The Legal Bureau is funded by hourly fees charged to the rest of the department of health for legal services provided. The fees were \$42.50 per hour in fiscal 1984 and are rising to \$45 per hour in fiscal 1986.

Issue 1: Renal Program

In fiscal 1984, the Montana Renal Program was transferred from social and rehabilitation services to the department of health. General fund of \$125,000 was allocated to the program. At the time of the transfer, 40 renal patients were being served by the program. As of September 1984, the Department had 236 eligible patients. Two criteria are necessary to receive state aid: the patient must

suffer severe, irreversible renal disease and must sign a document stating they have "financial imbalance" as a result of the illness.

End Stage Renal Disease (ESRD) is the only catastrophic illness covered by medicare regardless of age. The Montana ESRD Program provides supplemental payments to medicare and payments for services not covered by medicaid. In addition, the state pays only for services not covered by a patient's own insurance. However, no distinction is made when making payments between those patients who could assume some of the non-insured costs of treatment and those who could not.

The program exhausted all fiscal 1984 allocated funding in that year. As of September 1984, bills received for services rendered in fiscal 1984 after all funds had been been used were returned to providers unpaid. The department of health anticipates that the program will again run out of funds in fiscal 1985. All payments are made on a first-come, first-serve basis. The department of health is requesting \$125,000 each year of the coming biennium for the program.

Option a: Continue the ESRD Program in its current form. Current level analysis incorporates this option.

<u>Cost</u>	<u>FY 86</u>	<u>FY 87</u>
General Fund	\$125,000	\$125,000

Option b: Increase funding levels to provide payments to all eligible patients. Based on fiscal 1984 levels, this would require an additional \$42,000 into the program in both fiscal 1986 and fiscal 1987.

FINANCIAL MANAGEMENT DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	29.5	28.5	27.50	27.50	(5.2)
Personal Service	\$644,698	\$623,117	\$621,105	\$622,148	(1.9)
Operating Expense	179,525	176,102	191,945	157,012	(3.3)
Equipment	-0-	879	728	728	65.6
Inflation	-0-	-0-	4,413	9,440	--
Total Expenditures	<u>\$824,223</u>	<u>\$800,098</u>	<u>\$818,191</u>	<u>\$784,328</u>	<u>(1.3)</u>
<u>Fund Sources</u>					
General Fund	\$265,619	\$245,514	\$228,657	\$212,831	(13.6)
State Special	81,360	85,000	82,000	82,000	(1.4)
Federal Revenue	<u>477,244</u>	<u>469,584</u>	<u>507,534</u>	<u>489,497</u>	<u>5.3</u>
Total Funds	<u>\$824,223</u>	<u>\$800,098</u>	<u>\$818,191</u>	<u>\$784,328</u>	<u>(1.3)</u>

The Financial Management Division is responsible for all financial reporting, budgeting and accounting for the department of health. It is composed of three bureaus: Financial Management Division Administration, which provides general financial support department-wide; Fiscal Services Bureau, which maintains the accounting system and provides centralized purchasing, mailroom, cashier, and auditing functions; and Records and Statistics, which maintains the state's vital statistics system.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	28.50	29.50	1.00
Personal Services	\$624,011	\$629,445	\$ (5,434)
Operating Expenses	212,679	175,903	36,776
Equipment	730	-0-	730
Total Expenditures	<u>\$837,420</u>	<u>\$805,348</u>	<u>\$ 32,072</u>
<u>Funding</u>			
General Fund	\$281,691	\$265,619	\$ 16,072
State Special	85,000	81,360	3,640
Federal Revenue	470,729	458,369	12,360
Total Funds	<u>\$837,420</u>	<u>\$805,348</u>	<u>\$ 32,072</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$18,875	\$(18,874)
Program Transfers	\$(1,300)	-0-	\$ (1,300)

The FTE added was an auditor for the Child Nutrition Program in the Clinical Bureau. The position was mandated and paid for by the federal government. There were two major causes for the difference between anticipated and actual expenditures levels in operating expenses. Audit costs were \$7,250 and rent was \$14,981 less than anticipated in 1984. The Fiscal Services Bureau contained the auditing expenditures. The equipment allocated for were filing cabinets. The price of the cabinets fell below \$200 and were therefore charged to minor tools and equipment.

Current Level Adjustment

All costs associated with the child nutrition auditor, totaling 1 FTE and \$3,621 in operating expenses, have been removed. One FTE, a programmer analyst II position in the Records and Statistics Bureau, has been removed at the bureau's request. Audit costs were \$32,908 in fiscal 1984. Audit costs of \$42,000 were added to fiscal 1986 expenditures. Insurance and bond expense was raised \$6,870 to \$33,270.

Funding

The following table shows each bureau, its total funding by source in fiscal 1984, agency projected sources in fiscal 1985, and fiscal 1986 and 1987 current level.

Table 1
Financial Management Division--Funding

<u>Bureau/Funding</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Financial Management Administration				
General Fund	\$ 55,138	\$ 22,341	\$ 30,331	\$ 11,656
Indirect Cost Pool	86,352	126,408	115,869	137,521
Fiscal Services				
Indirect Cost Pool	308,684	285,836	328,242	288,553
Child Nutrition Audit	18,875			
Records and Statistics				
General Fund	210,481	223,173	198,326	201,175
National Center for Health Statistics	60,653	54,599	61,090	61,090
Birth-Death Fees	81,360	85,000	82,000	82,000
Center for Disease Control				
Death Index	2,680	2,741	2,333	2,333

The Records and Statistics Bureau supplies statistical data to the National Center for Health Statistics and the Center for Disease Control and is reimbursed at a level that is negotiated each year. The level for 1986 has yet to be determined; therefore, the figures used for fiscal 1986 and fiscal 1987 are the fiscal 1985 levels. A fee of \$5 is charged by the bureau whenever anyone wishes to have a copy of a birth or death certificate made. Birth-death fees are expected to remain at the fiscal 1984 actual level of \$82,000 in fiscal 1986 and 1987.

All programs contributed to the administrative costs of the department of health via the indirect cost pool. The department negotiates a rate with the federal government, which is then applied to all state revolving accounts and all federal funds, excluding block grants and National Center for Health Statistics funds. The following table shows the indirect cost rate since fiscal 1983. The fiscal 1986 and fiscal 1987 rates are agency projections as of December 1984.

Table 2
Indirect Cost Rate

<u>Fiscal Year</u>	<u>Rate</u>
1983	20.3%
1984	13.1%
1985	8.7%
1986	17.6%
1987	17.0%

The following table shows total expected indirect cost funds and projected funding requirements of the Financial Management Administration and Fiscal Services Bureaus, based upon current level analysis. The required general fund is applied in Financial Management Administration.

Table 3
Funds Requirements--Administration and Fiscal Services

	<u>FY 86</u>	<u>FY 87</u>
Current Level Expenditures	\$474,442	\$437,730
Anticipated Indirect Revenue	<u>444,111</u>	<u>426,074</u>
General Fund Required	<u>\$ 30,331</u>	<u>\$ 11,656</u>

ENVIRONMENTAL SCIENCE DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	86.05	84.08	81.75	80.75	(3.0)
Personal Service	\$2,328,458	\$2,245,310	\$2,338,097	\$2,325,462	1.9
Operating Expense	1,410,817	1,056,616	910,990	907,478	(26.0)
Equipment	115,196	19,644	16,200	6,700	(82.8)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>56,172</u>	<u>98,142</u>	<u>--</u>
Total Operating Costs	\$3,854,471	\$3,321,570	\$3,321,459	\$3,337,782	(7.2)
Non-Operating Costs	<u>1,038,363</u>	<u>1,285,748</u>	<u>1,279,845</u>	<u>1,313,943</u>	<u>11.6</u>
Total Expenditures	<u>\$4,892,834</u>	<u>\$4,607,318</u>	<u>\$4,601,304</u>	<u>\$4,651,725</u>	<u>(2.6)</u>
Fund Sources					
General Fund	\$1,186,335	\$1,256,497	\$1,178,376	\$1,179,678	(3.5)
State Special	1,078,244	1,473,816	1,512,709	1,541,945	19.4
Federal Special	2,626,935	1,877,005	1,910,219	1,930,102	(14.7)
Other Funds Approp.	<u>1,320</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$4,892,834</u>	<u>\$4,607,318</u>	<u>\$4,601,304</u>	<u>\$4,651,725</u>	<u>(2.6)</u>

The Environmental Science Division is responsible for ensuring a safe and healthful environment in the state. In order to carry out this responsibility the division is divided into six bureaus: Environmental Science Administration, Solid Waste, Air Quality, Occupational Health, Water Quality, and Food and Consumer Safety.

Major changes in current level and funding sources are contained in the narrative of each bureau.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	84.25	86.05	1.8
Personal Services	\$2,381,352	\$2,311,934	\$ 69,418
Operating Expenses	3,163,833	1,203,302	1,960,531
Equipment	13,190	12,827	363
Grants	1,274,657	1,005,363	269,294
Total Operating Costs	<u>\$6,833,032</u>	<u>\$4,533,426</u>	<u>\$2,299,606</u>
<u>Funding</u>			
General Fund	\$1,254,092	\$1,186,335	\$ 67,757
Estate Special	1,658,095	1,079,269	578,826
Federal	3,920,845	2,267,822	1,653,023
Total Funds	<u>\$6,833,032</u>	<u>\$4,533,426</u>	<u>\$2,299,606</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 67,464	\$ (67,464)
HB 477	\$ 377,111	\$ 291,944	\$ 85,167

The additional FTE are associated with the Tribal Assistance Project in the Air Quality Bureau, and the Hazardous Waste Inventory Program in the Solid Waste Bureau.

The major cause of the large surplus in operating expenses occurred in the Solid Waste Bureau from under utilization of the EPA Superfund Program. Only \$433,876 were expended of the \$2,200,000 appropriated for action on hazardous waste sites. In addition, \$100,000 that was allocated as a contingency fund for the Junk Vehicle Section was not needed. The Scobey Air Monitoring Project was

funded for \$30,000, but only \$228 was actually expended.

The surplus in the grants and benefits category results primarily from a reduced level of grants made by the Solid Waste Bureau to counties for upkeep of junk vehicle graveyards. The agency was appropriated \$742,055 in fiscal 1984, but only \$574,165 was actually expended. Additionally, the Subdivision Section of the Water Quality Bureau made \$13,300 less in grants than was appropriated.

ENVIRONMENTAL SCIENCES ADMINISTRATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	3.00	3.00	3.00	3.00	0.00
Personal Service	\$ 98,517	\$ 99,045	\$102,632	\$102,882	4.0
Operating Expense	13,814	15,138	15,482	14,859	4.8
Inflation	<u>-0-</u>	<u>-0-</u>	<u>512</u>	<u>1,125</u>	<u>--</u>
Total Operating Costs	<u>\$112,331</u>	<u>\$114,183</u>	<u>\$118,626</u>	<u>\$118,866</u>	<u>4.8</u>
Fund Sources					
General Fund	\$ 59,002	\$ 59,229	\$ 59,002	\$ 59,055	0.0
State Special	22,171	22,485	25,084	27,094	2.1
Federal Revenue	<u>31,158</u>	<u>32,469</u>	<u>34,540</u>	<u>32,717</u>	<u>16.0</u>
Total Funds	<u>\$112,331</u>	<u>\$114,183</u>	<u>\$118,626</u>	<u>\$118,866</u>	<u>4.8</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
ISSUE: Cost (Savings)	General Fund		Other Funds	General Fund	Other Funds
1. Federal Funds Replacement	\$12,752		\$(12,752)	\$15,701	\$(15,701)

The Environmental Sciences Administration Bureau is responsible for overall administrative, management, and coordinating support for the Environmental Sciences Division. It ensures that each bureau in the division meets its statutory obligations and is properly managed and that work is done as scheduled.

Current Level Adjustments

No major changes were made to current level. Modified levels of \$2,493 in 1986 and \$1,870 in 1987 were added to travel to allow the administrator to fulfill his obligations as the Governor's appointed representative on the Western States Water Council.

Funding

Prior to fiscal 1984, this bureau was entirely general funded. The 1983 legislature required that it be supported by the programs within the Environmental Sciences Division it helps administer. Junk vehicle, public health special revenue which is primarily composed of indirect funds and EPA safe drinking water funds contributed 20, 20 and 7 percent, respectively, of the bureau's budget in fiscal 1984 and fiscal 1985. The overall level of safe drinking water funds is expected to decline from fiscal 1984 levels, and its contribution has been lowered accordingly.

Issue 1: Funding

To offset the loss of the federal safe drinking water funds and fund the additional requirements of the bureau in the next biennium, three options are available.

Option a: Increase general fund contribution to cover all of the lost funds and additional requirements. This would increase the general fund support to 60 percent of the total.

Option b: Do not increase general fund contribution. Increase junk vehicle contribution and allocate EPA air quality, EPA 106 water quality or EPA hazardous waste funds to this bureau. This option is included in the current level analysis.

	<u>FY 86</u>	<u>FY 87</u>
Junk Vehicle	\$ 2,078	\$ 4,497
Air Quality	4,791	5,060
Water Quality	4,638	4,638
Hazardous Waste	<u>1,245</u>	<u>1,506</u>
Total	<u>\$12,752</u>	<u>\$15,701</u>

Option c: Do not take action. Require the bureau to cut back expenditures to conform to available funding.

SOLID WASTE BUREAU

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	13.30	12.33	11.0	11.0	(10.2)
Personal Service	\$ 341,363	\$ 286,144	\$ 294,821	\$ 295,298	(5.9)
Operating Expense	530,186	243,507	213,556	213,556	(44.8)
Equipment	1,316	-0-	1,500	-0-	14.0
Inflation	<u>-0-</u>	<u>-0-</u>	<u>15,772</u>	<u>26,538</u>	<u>--</u>
Total Operating Costs	\$ 872,865	\$ 529,651	\$ 525,649	\$ 535,392	(58.0)
Non-Operating Costs	<u>574,165</u>	<u>762,015</u>	<u>782,885</u>	<u>814,983</u>	<u>19.6</u>
Total Expenditures	<u>\$1,447,030</u>	<u>\$1,291,666</u>	<u>\$1,308,534</u>	<u>\$1,350,375</u>	<u>(2.9)</u>

Fund Sources

General Fund	\$ 125,991	\$ 128,430	\$ 75,435	\$ 76,056	(40.5)
State Special	705,871	1,001,585	1,061,393	1,097,431	26.5
Federal Revenue	<u>615,168</u>	<u>161,651</u>	<u>171,706</u>	<u>176,888</u>	<u>(55.1)</u>
Total Funds	<u>\$1,447,030</u>	<u>\$1,291,666</u>	<u>\$1,308,534</u>	<u>\$1,350,375</u>	<u>(2.9)</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Superfund	-0-	\$2,084,240	-0-	\$2,760,960
2. Hazardous Waste Dump Inventory	-0-	\$ 48,978	-0-	\$ 49,039

Solid Waste Bureau is responsible for the licensing, inspection and enforcement duties concerning the 200 waste disposal sites in the state; enforcement of federal and state hazardous waste statutes; and the junk vehicle recycling program. The bureau also administers the federal Superfund Program for cleaning hazardous waste sites.

Current Level Adjustments

All expenditures associated with the Superfund and Hazardous Waste Dump Inventory Programs have been removed since those programs are presented as modified budget requests. Associated reductions include 2.3 FTE and operating expenses of \$402,009. A total of \$100,000 was added to contracted services for the Junk Vehicle Program should the price of steel fall. Equipment is for the purchase of a metal detector to located underground storage tanks.

Funding

The Solid Waste Bureau is comprised of three sections: Solid Waste, which is entirely funded by general fund, Hazardous Waste, funded by the Environmental Protection Agency (EPA) with a required 25 percent state match; and Junk Vehicle, which is entirely funded by state special revenues from the Junk Vehicle Recycling Program.

The Hazardous Waste Program was first established by the 1983 legislature. During the 1985 biennium, general fund was used as the required 25 percent match for EPA funds. However, the 1983 legislature also stipulated that beginning in fiscal 1986, 6 percent of the interest income from the resource indemnity trust fund (RIT) would be used as the state match for the EPA funds.

Resource Indemnity Trust Fund (RIT)

As stated earlier, the 1983 legislature set aside 6 percent of the interest income on RIT funds to the Solid Waste Bureau as match for EPA hazardous waste funds. It also stipulated that the interest would serve as the required state match in the Superfund Program.

The following table shows the LFA projected level of RIT funds, current level needs of the Hazardous Waste Section, and the Solid Waste Bureau's requested usage via modified budget requests. For a further discussion of the Superfund Program, see Issue 1. The other modified request is for spending authority to meet new EPA regulations lowering levels of hazardous waste exempt from federal statutes. As the table illustrates, there will be insufficient RIT interest funds available to fund all requests.

Table 1
RIT Revenues and Expenditures

<u>Uses</u>	<u>FY 86</u>	<u>FY 87</u>
Total Available	\$355,740	\$415,560
Hazardous Waste Match (Current level)	<u>57,235</u>	<u>58,952</u>
Remainder	\$298,505	\$356,608
Superfund Match (Modified budget)	\$208,424	\$276,096
Hazardous Waste (Modified budget)	<u>105,939</u>	<u>105,939</u>
Remainder	\$(15,858)	\$(25,427)

All RIT funds not used by the Solid Waste Bureau are required to revert back to the interest fund account. The department is requesting that language be placed in the appropriation bill which would allow all unused RIT funds allocated as hazardous waste match to be placed in the Superfund Program.

Issue 1: Superfund

The 1983 legislature approved Montana's entry into the federal Superfund Program by providing authorization for federal funds of \$1,980,000 and \$220,000 of state junk vehicle revenues as the required state match. Section 15-38-202(3), MCA, has set aside RIT funds to provide the necessary match for the coming biennium.

The Superfund Program provides for the investigation of uncontrolled hazardous waste dump sites, the development of cleanup options and the determinations of the cost of each option. If the responsible party cannot be found who is financially liable for the necessary cleanup, superfund monies are used. The match required depends upon the stage the particular project is in, and ranges from 100 percent federally funded in the investigation stage, to 90 percent federal, 10 percent state in the remedial and construction stage, to 100 percent state funded in the life cycle maintenance stage. Potential costs of maintenance vary from project to project. If the project is located on state land, the state has the long-term obligation to maintain the cleanliness of the area. Projects located on non-state land do not carry an automatic state financial obligation.

Work was begun on two projects where it is likely no responsible party will be found and therefore will require superfund monies to carry out the cleanup: Silver Bow Creek and Milltown groundwater. In October of 1984, three more sites were added to Montana's listing, one of which may require superfund monies in the cleanup, the Mouate site in Columbus. Site listing does not automatically require cleanup, but only makes superfund money available should it be necessary. Starting work on a project does not obligate the state to continue or complete the work.

The Solid Waste Bureau is unsure at this time what level of funds will be required in the coming biennium, as the level required depends upon several factors, including what stage the project is in, how many projects are started, whether the state must take the lead in the initiation of the cleanup, and what the cleanup entails. The modified budget request is based upon the availability of RIT funds once all Hazardous Waste Section needs have been met.

Table 2
Superfund Budget Request

	<u>FY 86</u>	<u>FY 87</u>
RIT	\$ 208,424	\$ 276,096
EPA Superfund	\$1,875,816	\$2,484,864

Issue 2: Hazardous Waste Dump Inventory

A project was started in 1984 to investigate and catalogue all sites of potentially uncontrolled hazardous waste dumping in the state. The project is entirely funded by federal EPA hazardous waste dump inventory funds. The Solid Waste Bureau is requesting, on a modified budget, authority to continue and complete the project.

Inventorying the dump site does not place an absolute burden upon the state to take action and to effect the necessary clean-up. However, those sites which are discovered to be potentially health threatening may require state participation, either with superfund match or other state services should superfund monies not be applicable. Total costs are \$48,978 in fiscal 1986 and \$49,039 in fiscal 1987.

AIR QUALITY BUREAU

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	18.5	17.5	17.5	17.5	(5.4)
Personal Service	\$ 487,831	\$422,022	\$498,173	\$499,371	9.6
Operating Expense	437,485	331,713	232,087	232,087	(39.6)
Equipment	111,554	6,000	5,500	5,000	(91.1)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>14,321</u>	<u>24,811</u>	--
Total Operating Costs	\$1,036,870	\$759,735	\$750,081	\$761,269	(15.8)
Non-Operating Costs	<u>95,000</u>	<u>95,000</u>	<u>95,000</u>	<u>95,000</u>	(0.0)
Total Expenditures	<u>\$1,131,870</u>	<u>\$854,735</u>	<u>\$845,081</u>	<u>\$856,269</u>	<u>(14.3)</u>
<u>Fund Sources</u>					
General Fund	\$ 280,110	\$310,657	\$310,657	\$310,657	5.2
State Special	295	-0-	-0-	-0-	(100.)
Federal Revenue	<u>851,465</u>	<u>544,078</u>	<u>534,424</u>	<u>545,612</u>	<u>(22.6)</u>
Total Funds	<u>\$1,131,870</u>	<u>\$854,735</u>	<u>\$845,081</u>	<u>\$856,269</u>	<u>(14.3)</u>

The Air Quality Bureau is responsible for maintaining outdoor air quality levels considered safe to the public health and welfare through permit review, inspections, monitoring and information dissemination.

Current Level Adjustments

Personal services has been increased over actual fiscal 1984 due to three positions within the bureau being filled only part of the year. The positions are all expected to be filled in fiscal 1986-87.

Three projects are included in actual 1984 figures that will not be extended in fiscal 1986-1987 and have been removed from current level: the United Minerals Variance and Scobey Air Monitoring projects, which have been completed, and the East Helena Blood Lead Study, which should be completed in fiscal 1985. The adjustments total \$190,498 in operating expenses. The Tribal Air Assistance Program, a budget amended program in fiscal 1984 and fiscal 1985, has also been removed from current level for a reduction of 1 FTE and \$17,245 in operating expenses.

Other minor adjustments are an increase of \$577 in Department of Administration computer processing fees, \$980 in air monitoring network relocation expenses to allow for a larger number of relocations and \$1,170 in supplies and

materials to allow for greater gasoline consumption and to purchase more field monitoring supplies, assuming the bureau will be at full staff and more monitoring will be done. Total adjustments to operating expenses resulted in a net reduction of 39.6 percent between the 1985 and 1987 bienniums.

Funding

The bureau is funded from three sources: EPA Air Quality grant, federal revenue from the Department of State Lands, and general fund. In order to be eligible for EPA funds, the bureau must maintain a state level of effort equal to the prior year's level. The bureau's fiscal 1985 spending authority of general fund to be used as match for the EPA grants is \$310,657. If this entire amount is expended in fiscal 1985, it becomes the level of general fund required in fiscal 1986 and 1987. Current level analysis assumes the entire amount will be expended in fiscal 1985. The federal EPA contribution then becomes \$502,922 in fiscal 1986 and \$514,096 in fiscal 1987. Revenue from the Department of State Lands funds a shared position, and totals \$31,502 in fiscal 1986 and \$31,516 in fiscal 1987.

OCCUPATIONAL HEALTH BUREAU

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	4.00	4.00	4.00	4.00	0.00
Personal Service	\$125,285	\$126,886	\$124,207	\$124,316	(1.4)
Operating Expense	40,693	45,631	48,016	43,666	6.2
Equipment	1,900	9,500	2,200	-0-	(80.7)
Inflation	-0-	-0-	2,076	3,971	--
Total Expenditures	<u>\$167,878</u>	<u>\$182,017</u>	<u>\$176,499</u>	<u>\$171,953</u>	<u>(.4)</u>
<u>Fund Sources</u>					
General Fund	<u>\$167,878</u>	<u>\$182,017</u>	<u>\$176,499</u>	<u>\$171,953</u>	<u>(.4)</u>

The Occupational Health Bureau is responsible for administering the Radiological and Occupational Health Programs. Primary emphasis is on the inspection of x-ray units and the provision of measurement and technical expertise to ensure safety in homes and work places.

Current Level Adjustments

Legal expenses of \$4,350 for the updating of regulations were added in fiscal 1986. Supplies and materials were increased by \$2,520 for the purchase of laboratory gas that had previously been stockpiled. Travel was increased by \$1,132 in anticipation of more travel by the health physicist, who had been in training during a part of fiscal 1984. Repair and maintenance was increased to allow for the purchase of a service contract for a Beckman Low Level Alpha Beta Counter.

Equipment included in current level is a Ecolizer CO monitor to replace an existing 13 year old monitor which will be retained for backup and emergency response when the new monitor is in the field.

WATER QUALITY BUREAU

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	37.25	37.25	37.25	36.25	(1.3)
Personal Service	\$ 994,362	\$1,018,032	\$1,042,615	\$1,027,044	2.9
Operating Expense	327,753	360,680	340,093	341,554	(2.0)
Equipment	271	3,844	6,500	1,700	99.3
Inflation	-0-	-0-	20,623	36,354	--
Total Operating Costs	\$1,322,386	\$1,382,556	\$1,409,831	\$1,406,652	4.1
Non-Operating Costs	187,357	224,733	197,960	197,960	(3.9)
Total Expenditures	<u>\$1,509,743</u>	<u>\$1,607,289</u>	<u>\$1,607,791</u>	<u>\$1,604,612</u>	<u>3.2</u>
<u>Fund Sources</u>					
General Fund	\$ 211,213	\$ 222,736	\$ 216,010	\$ 218,307	0.0
State Special	168,066	245,746	222,232	211,420	4.7
Federal Revenue	1,129,144	1,138,807	1,169,549	1,174,885	3.3
Other Funds Approp.	1,320	-0-	-0-	-0-	(100.0)
Total Funds	<u>\$1,509,743</u>	<u>\$1,607,289</u>	<u>\$1,607,791</u>	<u>\$1,604,612</u>	<u>3.2</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Subdivisions				
Option b:	-0-	-0-	-0-	\$15,633
2. Groundwater Contamination	\$ 7,007	\$27,737	\$ 8,131	\$27,613
3. Water Quality Management	\$46,862	-0-	\$45,197	-0-

The Water Quality Bureau is responsible for Montana's safe drinking and water pollution laws, administration of the federal Construction Grants Program, the Subdivision Program, wastewater operator licensing and water quality management.

Current Level Adjustments

For a discussion of the fiscal 1987 FTE adjustment, see issue 1.

A large portion of the increase, \$13,039 in fiscal 1986 and \$13,414 in fiscal 1987 in operating expenses, and \$5,300 in equipment in fiscal 1986, was due to the expansion of bureau responsibilities in the Construction Grants Section. This section is federally funded and the increase is matched entirely by an increase in federal construction grant funds. Non-construction grant adjustments include an increase of \$2,163 to the Subdivision Section: \$483 in communications and \$1,680 in travel due to the filling of the section head position; and \$6,950 to Safe Drinking Water for inspection payments. Lab fees of the Clark Fork project that had been charged to Water Quality Management totaling \$12,000 were removed.

Equipment is to replace pH, DO and conductivity meters which are past their useful life and not serviceable. Grants were raised in the Subdivision Section due to the reduced fiscal 1984 level.

Funding

The Water Quality Bureau is made up of six sections, each with its own funding source: Water Quality Management, funded by EPA 205(j) funds with general fund match; Safe Drinking Water, funded by EPA Safe Drinking Water funds and a general fund match; Water and Wastewater Operators, funded by Wastewater Operator's Certification fees; Construction Grants, 100 percent federally funded; Water Pollution Control, EPA 106 funds with general fund match; and Subdivisions, funded entirely by subdivision review fees. The level of EPA funds are expected to remain stable through the coming biennium. The following table shows each section, its funding source, actual 1984 expenditures, agency allocations of fiscal 1985 appropriations, fiscal 1986 and fiscal 1987 current level requirements, and the required state contribution.

Table 1
Water Quality Funding

	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>Matching/ Maintenance Requirement</u>
Subdivisions					
Subdivision Plat Review	\$ 148,733	\$ 225,537	\$ 202,595	\$ 191,396	None
Waste Waste Operators					
Waste Water Operators	19,333				
Certification		20,209	19,637	20,024	None
Water Pollution Control					
EPA 106	377,733	377,905	379,449	384,044	1977 level
General Fund	83,049	83,117	79,000	79,000	Maintenance of effort
Water Quality Management					
EPA 205(j)	155,962	148,443	146,707	145,476	None
General Fund	36,039	39,730	37,988	38,641	None
Construction Grants					
EPA Construction Grants	286,085	312,794	346,328	343,367	None
Grants to Counties*	33,000				
Safe Drinking Water					
EPA Safe Drinking Water	276,364	299,665	297,065	301,998	25 %
General Fund	92,125	99,889	99,022	100,666	State Match
Champion International	<u>1,320</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
Total	<u>\$1,509,743</u>	<u>\$1,607,289</u>	<u>\$1,607,791</u>	<u>\$1,604,612</u>	

*Budget amendment.

Issue 1: Subdivisions

There was a great deal of discussion in the 1983 legislature concerning the Subdivision Section and its funding source. The section was a separate bureau until fiscal 1984 when it became a part of the Water Quality Bureau. The section collects fees from subdivision developers and inspects subdivision plans and sites of 20 acres or less to ensure that sanitation and environmental standards are met. The section also makes grants to counties with qualified personnel who perform

inspections on sites of five acres or less. All plans and sites must be reviewed within 60 days of submittal.

Currently the section is entirely funded by developer fees. However, the number of plans submitted for review and therefore the total fee level can be very erratic and difficult to predict from year to year. The following table shows developer's fees since 1981, and the department of health's projections for fiscal 1985, 1986 and 1987.

Table 2
Subdivision Plat Review Fees

<u>Year</u>	<u>Collected</u>
1981	\$166,140
1982	\$176,401
1983	\$106,853
1984	\$200,755
1985 Projected	\$225,537
1986 Anticipated	\$170,925
1987 Anticipated	\$170,801

The section ran out of money in fiscal 1983. The section left one position, the section head, vacant in fiscal 1984 and delayed payments to counties for review work in an effort to reduce expenditures. At the reduced fiscal 1984 level the section was able to fulfill its obligation to review all plans within 60 days.

The agency hired a section head in fiscal 1985 and this position is included in current level. In-state travel expenditures were increased to allow for the traveling the section head will do. Using the section's estimate of fiscal 1986 and fiscal 1987 developer fees, the program would overexpend by over \$13,000 in fiscal 1987. As a result, current level reflects the reduction of 1 FTE in fiscal 1987. The following table shows current level FTE from fiscal 1984.

Table 3
FTE, Current Level

<u>Year</u>	<u>FTE</u>
1984	3.1
1985	4.1
1986	4.1
1987	3.1

Option a: Reduce FTE to 3.1 in order to fully fund the program with current developer's fees. This option is included in current level.

Option b: Add \$15,633 general fund in fiscal 1987 to support the FTE position.

Option c: Using fiscal 1984 workload as the base, and assuming that workload in fiscal 1986, developer's fees could be raised an average of 15 percent. This would ensure adequate funds to meet the minimum requirements of the section of \$202,595 and allow for a carryover into years when inspection volume would be lower. In those years when volume was lower, the pool of expertise contained in the section, which makes hiring and firing to meet fluctuations in workload difficult, could be used to perform other similar duties within the Water Quality Bureau as a whole.

Issue 2: Groundwater Contamination

The Montana Clean Water Act places responsibility for the maintenance of Montana's groundwater quality with the Water Quality Bureau. Since the passage of the Montana Groundwater Pollution Control System Rule of 1982, the bureau has received a growing number of complaints of groundwater contamination. There are currently five ongoing investigations. Eight new field investigations and 30 submittal reviews are expected in fiscal 1985. The bureau is requesting \$34,744 additional funds to meet the increased complaints in fiscal 1986 and \$35,744 in fiscal 1987. The funds would be used to hire, on a contractual basis, expertise to determine the extent of groundwater contamination, monitor and dig wells, and review recovery plans. In addition, funds would be used for increased lab testing, rule revision, general supplies and materials and out-of-state travel to workshops. Groundwater complaints are the responsibility of the Water

Pollution Control Section, which is funded by EPA 106 funds. The state is currently within its EPA 106 maintenance of effort requirements. General fund inclusion in Option a is based upon the projected level of 106 fund availability.

Option a: Fund as requested. This would allow the bureau to continue current investigations and reviews.

<u>Cost</u>	<u>FY 86</u>	<u>FY 87</u>
General Fund	\$ 7,007	\$ 8,131
EPA 106	\$27,737	\$27,613

Option b: Do not fund for the expansion in groundwater activities.

Issue 3: Water Quality Management

The Water Quality Management Section is responsible for developing permit levels of pollution entering the state's water, monitoring water quality in streams and providing water quality assessments and cleanup plans for problem areas. It is funded by EPA 205 (j) funds, with general fund contributing the remainder of the section's funding. The following table shows expenditures and funding sources of the section in 1984.

Table 4
Water Quality Management Expenditures

	<u>1984 Actual</u>
FTE	4.85
Personal Services	\$108,970
Operating Expenses	58,839
Grants	<u>24,190</u>
Total	<u><u>\$191,999</u></u>
Funding	
General Fund	\$ 36,038
EPA 205(j)	<u>155,961</u>
Total	<u><u>\$191,999</u></u>

In the last biennium, EPA funds for fiscals 1983, 1984 and 1985 were all available and appropriated to the section for fiscal 1984-85. Total EPA funds expected in fiscal 1986 and fiscal 1987 are \$101,796 and \$102,306, respectively. The Water Quality Bureau is requesting an increase in general fund contribution to replace the lower expected federal funds and maintain the fiscal 1984 operating level.

Current level analysis has determined the section's total fund needs for fiscal 1986 to be \$184,696 and for fiscal 1987 to be \$183,541. Assuming the bureau's projections for federal funds, general fund requirements would then be \$82,900 in fiscal 1986 and \$81,235 in fiscal 1987, compared with fiscal 1984 level of \$36,038. Current level analysis increases general fund contribution to \$37,988 in fiscal 1986 and \$38,641 in fiscal 1987 and assumes sufficient 205(j) funds to meet the section's remaining funding needs.

Option a: Increase general fund contribution to meet all the section's needs.

<u>Cost</u>	<u>FY 86</u>	<u>FY 87</u>
General Fund	\$46,862	\$45,197

Option b: Take no action. Require the bureau to make cutbacks in personnel and services. Under this option, the section would lose one of its 4.85 FTE. This would result in a lowered level of stream water sampling, testing, and monitoring for early signs and sources of pollutants.

FOOD AND CONSUMER SAFETY BUREAU

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	10.00	10.00	9.00	9.00	10.00
Personal Service	\$281,100	\$293,181	\$275,649	\$276,551	(3.8)
Operating Expense	60,886	59,947	61,756	61,756	2.2
Equipment	355	300	500	-0-	9.9
Inflation	-0-	-0-	2,868	5,343	--
Total Operating Costs	\$342,141	\$353,428	\$340,773	\$343,650	(1.6)
Non-Operating Costs	181,841	204,000	204,000	206,000	6.3
Total Expenditures	<u>\$523,982</u>	<u>\$557,428</u>	<u>\$544,773</u>	<u>\$549,650</u>	<u>1.2</u>
<u>Fund Sources</u>					
General Fund	\$342,141	\$353,428	\$340,773	\$343,650	(1.6)
State Special	181,841	204,000	204,000	206,000	6.3
Total Funds	<u>\$523,982</u>	<u>\$557,428</u>	<u>\$544,773</u>	<u>\$549,650</u>	<u>1.2</u>

The Food and Consumer Safety Bureau is responsible for the issuing of licenses to food establishments, hotels, motels, trailer parks, pools and spas, and the providing of training and support services to local health inspectors. It is also responsible for inspecting state institutions.

Current Level Adjustments

FTE was lowered to 9 to account for the transfer of one word processing position to the word processing pool in the Management Services Division. There is no change in the funding source of the position, as it is supported by general fund in both Food and Consumer Safety and Management Services. Travel was increased \$1,160 due to the vacancy for much of the year of a traveling position. Supplies and materials were increased by \$270 to replace vector monitoring supplies. Equipment is training films to replace old and non-serviceable films.

Funding

All operating costs are general funded. Grants to counties are earmarked funds from the local board inspection fees account. All licensed establishments pay a fee of \$30, of which 85 percent goes into the account and the balance into the general fund. Counties are reimbursed from the fund to pay their local inspections costs. The grant level is a top limit and any remaining funds revert to

the general fund. The increase in the grant amount is due to an anticipated increase of 175 licensed establishments.

MANAGEMENT SERVICES DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	25.50	27.50	25.00	25.00	(5.7)
Personal Service	\$599,535	\$651,570	\$609,872	\$610,808	(2.4)
Operating Expense	215,069	256,628	220,808	222,272	(6.1)
Equipment	48,520	1,257	50,800	5,000	12.1
Inflation	-0-	-0-	9,514	20,207	--
Total Expenditures	<u>\$863,124</u>	<u>\$909,455</u>	<u>\$890,994</u>	<u>\$858,287</u>	<u>(1.3)</u>
<u>Fund Sources</u>					
General Fund	\$517,283	\$563,067	\$465,040	\$424,524	(17.8)
State Special	109,949	61,530	100,606	100,606	17.3
Federal Revenue	<u>235,892</u>	<u>284,858</u>	<u>325,348</u>	<u>333,157</u>	<u>27.6</u>
Total Funds	<u>\$863,124</u>	<u>\$909,455</u>	<u>\$890,994</u>	<u>\$858,287</u>	<u>(1.3)</u>

The Management Services Division is responsible for service support to the department of health and local health programs. It is divided into four bureaus: Management Services Administration, Data Processing, Microbiology Laboratory and Chemistry Laboratory.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	27.50	25.50	2.00
Personal Services	\$598,262	\$599,535	\$(1,273)
Operating Expenses	225,265	215,069	10,196
Equipment	48,500	48,520	(20)
Total Expenditures	<u>\$872,027</u>	<u>\$863,124</u>	<u>\$ 8,903</u>
<u>Funding</u>			
General Fund	\$518,824	\$517,283	\$ 1,541
State Special	109,953	109,949	4
Federal Revenue	243,250	235,892	7,358
Total Funds	<u>\$872,027</u>	<u>\$863,124</u>	<u>\$ 8,903</u>

The difference in FTE was caused by the transfer of one word processing position to the Director's Division and one position associated with the resource library to the Health Planning Bureau in the Health Services and Medical Facilities Division.

Laboratory Fees

The Management Services Division is partially funded by fees collected for work conducted by the microbiology and chemistry labs. There are two accounts that collect laboratory fee income: (1) Water test, derived from water analysis tests performed for clients from both the public and private sector; and (2) Laboratory Division, derived from microbiological and chemical tests, also performed for public and private sector clients. Fees are set by the Management Services Division and the Board of Health. In this analysis, the microbiology lab is funded by water test fees and the chemistry lab is funded by Laboratory Division fees.

MANAGEMENT SERVICES DIVISION ADMINISTRATION BUREAU

	Actual	Appropriated	---Current Level---		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1985-87
Budget Item	1984	1985	1986	1987	Biennium
F.T.E.	8.50	10.50	9.00	9.00	(5.3)
Personal Service	\$172,173	\$203,626	\$185,660	\$185,787	(1.2)
Operating Expense	42,313	61,806	43,062	44,276	(16.1)
Equipment	48,520	1,257	8,400	-0-	(83.1)
Inflation	-0-	-0-	2,805	5,042	--
Total Expenditures	<u>\$263,006</u>	<u>\$266,689</u>	<u>\$239,927</u>	<u>\$235,105</u>	<u>(10.3)</u>
Fund Sources					
General Fund	\$164,973	\$220,094	\$159,300	\$160,382	(17.0)
State Special	48,520	-0-	30,000	30,000	23.7
Federal Revenue	<u>49,513</u>	<u>46,595</u>	<u>50,627</u>	<u>44,723</u>	<u>(.8)</u>
Total Funds	<u>\$263,006</u>	<u>\$266,689</u>	<u>\$239,927</u>	<u>\$235,105</u>	<u>(10.3)</u>

This bureau is responsible for word processing services for the health department, maintenance and distribution of audio visual aids to private and public health organizations, and administration of the two laboratories. The bureau is divided into three sections: MSD Administration, Film Services and Laboratory Administration.

Current Level Adjustments

The FTE change came about through several personnel changes. Two positions totaling 1.5 FTE were eliminated at the bureau's request: a film library clerk II and an administrative clerk. Two FTE positions were transferred to the bureau: a word processing operator from the Food and Consumer Safety Bureau of the Environmental Sciences Division and an office manager position from the Data Processing Bureau. The transfer of the word processing position does not alter funding as the position was supported entirely by general fund in Food and Consumer Safety. More will be said about the other position transfer in the Data Processing Bureau section of this report.

Repair and maintenance was raised by \$1,462 to allow for a full year's maintenance on word processing equipment and maintenance on mag card equipment, which was not charged to the bureau in fiscal 1984. Rent was decreased by \$1,918 at the bureau's request reflecting changes in rent allocation of the division as a whole. One-time expenses of \$516 and \$1,916 in fiscal 1986 and 1987,

respectively, were added to allow the bureau to print the film services catalogue. Equipment costs of \$8,400 in fiscal 1986 allow for the purchase of a film maintenance machine in the Film Services Section to replace ten year old equipment.

Funding

The MSD Administration Section is entirely general funded. Laboratory Administration is funded by a combination of general fund and microbiology and chemistry laboratory funds and film services is funded by film library fees. Film library fees come from three sources: the Department of Institutions, and the Clinical and Emergency Medical Services Bureaus of the Health Services and Medical Facilities Division. Charges are based upon funds needs of the film library and are expected to total \$26,872 in fiscal 1986 and \$20,030 in fiscal 1987. Film library fees also contribute to overall personal services costs of the bureau.

The following table shows Management Services Division Administration funding in fiscal 1984, agency allocations of funding in fiscal 1985, and current level allocations in fiscal 1986 and 1987.

Table 1
Management Services Division Administration Funding

	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
General Fund	\$164,973	\$220,094	\$159,300	\$160,382
Water Test Fees--Equipment	48,520	-0-	-0-	-0-
Water Test Fees--Laboratory Administration	-0-	-0-	30,000	30,000
Laboratory Division	34,892	20,082	23,755	24,693
Data Processing Fees	-0-	11,480	-0-	-0-
Film Library	<u>14,621</u>	<u>15,033</u>	<u>26,872</u>	<u>20,030</u>
Total	<u>\$263,006</u>	<u>\$266,689</u>	<u>\$239,927</u>	<u>\$235,105</u>

The total contribution of laboratory fee income increases from \$34,892 in fiscal 1984 to \$53,755 in fiscal 1986 and \$54,693 in fiscal 1987. The increase is primarily the result of the utilization of carryover laboratory funds.

The preventive health block grant, which helps fund the microbiology laboratory, cannot be used to purchase equipment. Therefore, for accounting purposes, all equipment purchases of the division in fiscal 1984 were placed in this

bureau and funded by \$48,520 of water test fees. However, in this analysis all equipment is contained in the bureau for which it was requested.

MICROBIOLOGY LABORATORY

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	9.00	9.00	9.00	9.00	0.00
Personal Service	\$231,881	\$226,423	\$234,096	\$234,428	2.2
Operating Expense	97,610	108,376	90,737	90,737	(11.9)
Equipment	-0-	-0-	7,400	-0-	100.0
Inflation	-0-	-0-	3,146	7,465	--
Total Expenditures	<u>\$329,491</u>	<u>\$334,799</u>	<u>\$335,379</u>	<u>\$332,630</u>	<u>.5</u>
<u>Fund Sources</u>					
General Fund	\$243,691	\$261,491	\$230,773	\$228,024	(9.3)
State Special	51,799	39,308	70,606	70,606	5.5
Federal Revenue	<u>34,001</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>-0-</u>
Total Funds	<u>\$329,491</u>	<u>\$334,799</u>	<u>\$335,379</u>	<u>\$332,630</u>	<u>.5</u>

The microbiology laboratory provides testing, consultation and coordination for disease control and environmental programs, and approves and certifies laboratories within the state.

Current Level Adjustments

Rent was decreased \$11,820 at the bureau's request to reflect changes in the rent allocation of the division as a whole. The division is no longer renting basement storage space. The rent does not proportionately increase in any other budgets. Repair and maintenance was increased by \$4,991 to allow for the purchase of a service contract on the bureau's Hitachi electron microscope. The equipment allocation would enable the bureau its first two priority equipment requests to replace old and no longer reliable equipment: a Brightfield microscope and a CO₂ incubator.

Funding

The bureau has three funding sources: the preventive health block grant, which contributes \$34,000 per year, water test fees, which contribute \$70,606 per year, and general fund, which contributes the remainder.

While the bureau performs some tests for state agencies, most of its work is performed for physicians, clinics and hospitals. Since the lab provides many services as part of its obligation to protect the public from communicable disease, the lab is not expected to be self sufficient. The following table shows total revenue and disbursements of water test fees in fiscal 1984, projected totals for fiscal 1985, and current level disbursements for fiscal 1986 and fiscal 1987.

Table 2
Water Test Fees: Revenues and Disbursements

<u>Water Test Fees</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Beginning Balance	\$ 84,440	\$ 70,905	\$ 61,262	\$ 30,656
Revenue	<u>99,875</u>	<u>61,530</u>	<u>70,000</u>	<u>70,000</u>
Total Available	\$184,315	\$132,435	\$131,262	\$100,656
Disbursements				
Administration	\$ 48,520		\$ 30,000	\$ 30,000
Microbiology Lab	51,797	61,530	70,606	70,606
Chemistry Lab	<u>9,628</u>	<u>9,643</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$109,945</u>	<u>\$71,173</u>	<u>\$100,606</u>	<u>\$100,606</u>
Adjustments	\$ (3,465)	-0-	-0-	-0-
Ending Balance	\$ 70,905	\$61,262	\$ 30,656	\$ 50

CHEMISTRY LAB

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
P.T.E.	6.00	6.00	6.00	6.00	0.00
Personal Service	\$163,749	\$165,773	\$166,097	\$166,565	.9
Operating Expense	68,897	81,143	77,852	77,852	3.8
Equipment	-0-	-0-	35,000	-0-	100.0
Inflation	-0-	-0-	3,687	7,570	--
Total Expenditures	<u>\$232,646</u>	<u>\$246,916</u>	<u>\$282,636</u>	<u>\$251,987</u>	<u>11.4</u>
<u>Fund Sources</u>					
General Fund	\$108,619	\$ 81,482	\$ 74,967	\$ 36,118	(41.7)
State Special	9,630	22,222	-0-	-0-	(100.0)
Federal Revenue	<u>114,397</u>	<u>143,212</u>	<u>207,669</u>	<u>215,869</u>	<u>64.4</u>
Total Funds	<u>\$232,646</u>	<u>\$246,916</u>	<u>\$282,636</u>	<u>\$251,987</u>	<u>11.4</u>

The Chemistry Laboratory provides analytical and consulting services to various divisions within the department of health and other state agencies. Private air and water samples are also analyzed.

Current Level Adjustments

The only major change to current level was the addition of \$8,895 for a maintenance contract for the lab's x-ray fluorescent analyzer and \$35,000 in fiscal 1986 for equipment purchases. The equipment would allow the bureau to acquire its first two priorities: a replacement gas chromatograph and a replacement purge and trap concentrator.

Funding

The bureau is funded from two sources: general fund and Laboratory Division. Fees charged must reflect the cost of performing the tests, but may not be in excess of those costs. As with the microbiology lab, the Chemistry Lab is not expected to be self sufficient. However, the legislature has stated that at least two-thirds of the total funding of the lab must be laboratory fees.

The following table shows total revenue and disbursements for Laboratory Division fees in fiscal 1984, projected totals for fiscal 1985 and current level disbursements for fiscal 1986 and fiscal 1987.

Table 3
Laboratory Division Fees Revenues and Disbursements

Laboratory Division	FY 84	FY 85	FY 86	FY 87
Beginning Balance	\$ 12,953	\$ 54,432	\$ 54,432	\$ 23,000
Revenue	<u>190,891</u>	<u>163,294</u>	<u>199,992</u>	<u>217,562</u>
Total Available	<u>\$203,844</u>	<u>\$217,726</u>	<u>\$254,424</u>	<u>\$240,562</u>
Disbursements				
Administration	\$ 34,895	\$ 20,082	\$ 23,755	\$ 24,693
Chemistry Lab	<u>114,398</u>	<u>143,212</u>	<u>207,669</u>	<u>215,869</u>
Total	<u>\$149,293</u>	<u>\$163,294</u>	<u>\$231,424</u>	<u>\$240,562</u>
Adjustments	\$ 119	-0-	-0-	-0-
Ending Balance	\$ 54,432	\$ 54,432	\$ 23,000	-0-

DATA PROCESSING

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	2.00	2.00	1.00	1.00	(.50)
Personal Service	\$31,732	\$55,748	\$24,019	\$24,028	(39.0)
Operating Expense	6,249	5,303	9,157	9,407	60.7
Equipment	-0-	-0-	-0-	5,000	100.0
Inflation	-0-	-0-	(124)	130	--
Total Expenditures	<u>\$37,981</u>	<u>\$61,051</u>	<u>\$33,052</u>	<u>\$38,565</u>	<u>(22.5)</u>
Fund Sources					
Federal Revenue	<u>\$37,981</u>	<u>\$61,051</u>	<u>\$33,052</u>	<u>\$38,565</u>	<u>(22.5)</u>

The Data Processing Bureau provides systems analysis, design, development and maintenance to the programs of the department of health.

Current Level Adjustments

As stated earlier, 1 FTE was transferred to the Management Services Administration Bureau. For elaboration see "Funding" below. A programmer position originally in the Records and Statistics Bureau of the Financial Management Division was allocated to the bureau in fiscal 1985. The position has not been transferred and will not be funded in the 1987 biennium. Within contracted services, computer processing was increased 16.7 percent to \$3,285. Operating costs were down in fiscal 1984 due to the vacancy of a computer programmer position for two months of the year. Rent was increased to \$4,379 from \$2,020 at the bureau's request to reflect changes in the overall division allocation.

A total of \$5,000 has been added for equipment purchases, which will allow the bureau to acquire a microprocessor. On-line computer charges within contracted services of the programs using the service will decrease as a result of this purchase.

Funding

The bureau is entirely funded by fees charged to programs within the Department of Health and Environmental Sciences. The bureau determines what needs to be charged in order to provide the service, based on the number of FTE required and the hours of actual billing. The FTE transferred to the Administration Bureau had been 20 percent supported by data processing fees. With this FTE removed, data processing costs of programs using the service should decline by an average of 6 percent starting in fiscal 1986, and their budgets have been lowered accordingly in current level.

HEALTH SERVICES AND MEDICAL FACILITIES DIVISION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	74.10	71.10	68.10	68.10	(5.5)
Personal Service	\$ 1,895,914	\$ 1,784,801	\$ 1,846,084	\$ 1,849,494	6.3
Operating Expense	5,642,465	5,355,564	5,775,924	5,769,716	4.9
Equipment	10,985	6,043	18,707	5,450	41.9
Inflation	-0-	-0-	117,576	197,288	--
Total Operating Costs	\$ 7,549,364	\$ 7,146,408	\$ 7,758,291	\$ 7,821,948	6.0
Non-Operating Costs	5,112,027	4,270,325	4,390,235	4,390,235	(6.4)
Total Expenditures	<u>\$12,661,391</u>	<u>\$11,416,733</u>	<u>\$12,148,526</u>	<u>\$12,212,183</u>	<u>1.2</u>
<u>Fund Sources</u>					
General Fund	\$ 1,010,575	\$ 1,068,438	\$ 999,374	\$ 994,473	4.1
State Special	21,787	30,000	21,787	21,787	(15.9)
Federal Revenue	<u>11,629,029</u>	<u>10,318,295</u>	<u>11,127,365</u>	<u>11,195,923</u>	<u>11.0</u>
Total Funds	<u>\$12,661,391</u>	<u>\$11,416,733</u>	<u>\$12,148,526</u>	<u>\$12,212,183</u>	<u>1.2</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. FTE Transfers	\$43,950	-0-	\$44,345	-0-

This division is responsible for services designed to improve and preserve the health of Montanans. It consists of six bureaus: Dental and Risk Reduction, Nursing, Clinical, Emergency Medical Services, Health Planning and Resource Development, and Licensing and Certification.

Issue 1: FTE Transfers

The division has proposed the movement of 1.9 FTE totaling \$63,373 in 1986 and \$63,423 in 1987 in personal services costs to create a new Health Services and Medical Facilities Administration Bureau. The move represents 1.25 FTE from the Health Planning Bureau totaling \$42,135 in 1986 and \$42,717 in 1987 and .65 FTE from the Licensing and Certification Bureau totaling \$21,238 in 1986 and \$21,252 in 1987. The following table shows each bureau, its funding sources and the current contribution of each source.

Table 1
Funding Sources, by Percent

<u>Bureau</u>	<u>Funding Source 1984</u>	
Health Planning	Federal Health Planning Funds	66%
	General Fund*	34%
Licensing and Certification	Title 18-Medicare	54%
	Title 19-Medicaid	22%
	General Fund	24%

*General Fund maintenance of effort requirements are \$122,003.

The division is proposing the new bureau be entirely general funded. The change in funding would not increase overall costs of the division but would increase general fund costs by \$43,950 in fiscal 1986 and \$44,345 in fiscal 1987, reducing federal funds a like amount.

When the Health Services Division was reorganized in 1984, the division administrator, who had been partially supported by the Health Planning Bureau and partially by the Licensing and Certification Bureau, and the division administrative officer, who had been wholly supported by the Health Planning Bureau, took on added division-wide responsibilities. The division wishes to transfer .25 FTE of the division administrator from each bureau and .5 FTE of the division administrative officer to the new bureau to provide a greater general fund contribution to their personal services costs. The transfer would also involve a .75 FTE administrative secretary and a .15 FTE administrative clerk. The federal government has suggested, but not mandated this move.

Option a: Allow the transfer, fund as requested with 100 percent general fund. This will cost \$43,950 in fiscal 1986 and \$44,345 in fiscal 1987.

Option b: Allow the transfer, but require that all former health planning, medicare and medicaid funding be replaced with federal Women, Infants and Children (WIC) and block grant funds, which are available for administrative purposes.

<u>Cost</u>	<u>FY 86</u>	<u>FY 87</u>
Block Grants	\$11,581	\$10,377
WIC	\$32,369	\$33,968

Option c: Do not allow the transfer and wait for a specific directive from the federal authorities. This option is incorporated into current level. For a further discussion of the consequences of this option, see the issue under the Health Planning Bureau.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	71.10	74.10	3.00
Personal Services	\$ 1,903,110	\$ 1,895,914	\$ 7,196
Operating Expenses	5,150,912	4,849,283	301,629
Equipment	5,966	10,985	(5,019)
Total Operating Costs	\$ 7,059,988	\$ 6,756,182	\$ 303,806
Non-Operating Costs	4,464,568	4,421,677	42,891
Total Expenditures	<u>\$11,524,556</u>	<u>\$11,177,859</u>	<u>\$ 346,697</u>
<u>Funding</u>			
General Fund	\$ 1,078,726	\$ 1,010,575	\$ 68,151
State Special	30,000	21,786	8,214
Federal Revenue	10,415,830	10,145,498	270,332
Total Funds	<u>\$11,524,556</u>	<u>\$11,177,859</u>	<u>\$ 346,697</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 1,483,532	\$(1,483,532)

The increase of 3 FTE was caused by the transfer of a position to the Health Planning Bureau from the Management Services Division, and the addition by budget amendment of 1.5 FTE to the federal Women, Infants and Children and .5 FTE to the Child Nutrition Programs in the Clinical Bureau.

The difference in operating expenses was primarily the result of four factors: the Women, Infants and Children Program spent over \$160,000 less than appropriated. This program's expenses are in large part dependent upon the price of food, which fluctuates. The Child Nutrition Program expended \$30,000 less than appropriated, and Emergency Medical Services Division expended \$32,000 less than anticipated when honorarium and clinic and seminar expenses were not

realized due to programatic problems. Equipment was expended but not allocated in the Dental, Nursing and Clinical Bureaus.

DENTAL AND RISK REDUCTION BUREAU

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	2.5	2.5	2.0	2.0	(2.0)
Personal Service	\$ 89,361	\$ 89,538	\$ 75,405	\$ 75,630	(15.6)
Operating Expense	31,190	29,198	23,035	23,035	(23.7)
Equipment	2,058	-0-	-0-	-0-	(100.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>1,225</u>	<u>2,159</u>	<u>--</u>
Total Operating Costs	\$122,609	\$118,736	\$ 99,665	\$100,824	(16.9)
Non-Operating Costs	<u>58,919</u>	<u>61,755</u>	<u>1,233</u>	<u>1,233</u>	<u>(98.0)</u>
Total Expenditures	<u>\$181,528</u>	<u>\$180,491</u>	<u>\$100,898</u>	<u>\$102,057</u>	<u>(43.7)</u>
<u>Fund Sources</u>					
General Fund	\$ 65,374	\$ 67,232	\$ 67,640	\$ 68,273	2.5
Federal Revenue	<u>116,154</u>	<u>113,259</u>	<u>33,258</u>	<u>33,784</u>	<u>(70.8)</u>
Total Funds	<u>\$181,528</u>	<u>\$180,491</u>	<u>\$100,898</u>	<u>\$102,057</u>	<u>(43.7)</u>

This bureau is made up of two programs: Dental, which consists of dental prevention and education projects aimed at school children, and Health Education and Risk Reduction Programs, aimed at promoting healthy lifestyles in the state. The Hypertension Program was included in this bureau until 1985, when it was no longer mandated as a condition of the preventive health block grant.

Current Level Adjustments

All costs associated with the Hypertension Program have been removed from current level. They include .5 FTE, \$3,092 in operating expenses and \$57,686 in grants.

Funding

The Dental Program is entirely general funded. Health Education and Risk Reduction Bureau is funded by the preventive health block grant. The Dental Program's operating budget was substantially reduced in the last biennium.

NURSING BUREAU

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	15.5	15	15	15	(1.6)
Personal Service	\$ 410,390	\$ 392,319	\$ 416,938	\$ 417,386	3.9
Operating Expense	162,096	127,629	261,648	261,448	80.5
Equipment	1,790	-0-	1,500	1,000	39.6
Inflation	<u>-0-</u>	<u>-0-</u>	<u>17,469</u>	<u>29,208</u>	--
Total Operating Costs	\$ 574,276	\$ 519,948	\$ 697,555	\$ 709,042	28.5
Non-Operating Costs	<u>734,857</u>	<u>810,325</u>	<u>818,964</u>	<u>818,964</u>	<u>6.0</u>
Total Expenditures	<u>\$1,309,133</u>	<u>\$1,330,273</u>	<u>\$1,516,519</u>	<u>\$1,528,006</u>	<u>15.3</u>
<u>Fund Sources</u>					
General Fund	\$ 182,068	\$ 160,829	\$ 188,387	\$ 185,991	157.8
Federal Revenue	<u>1,127,065</u>	<u>1,169,444</u>	<u>1,328,132</u>	<u>1,342,015</u>	<u>145.0</u>
Total Funds	<u>\$1,309,133</u>	<u>\$1,330,273</u>	<u>\$1,516,519</u>	<u>\$1,528,006</u>	<u>146.8</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Additional FTE	-0-	\$96,356	-0-	\$94,450

The Nursing Bureau is an administrative entity consisting of Nursing Bureau Administration, which oversees all operations of the bureau; nursing operations, which provides for the development and promotion of standards for community health operations and for the continuing education and training of health care professionals; communicable disease, which maintains surveillance and outbreak control of communicable disease; childhood immunization, which provides for the prevention and control of vaccine-preventable childhood disease; venereal disease control, which provides for prevention and control of sexually transmitted disease; family planning, which provides education, counseling and medical services to women; and rabies vaccine, which provides rabies vaccine to those in need.

Current Level Adjustments

Major changes to current level are the addition of \$54,000 for the purchase of whooping cough vaccine, and \$42,000 for the purchase of rabies vaccine, both

to supplies and materials. The equipment is films to replace worn and non-serviceable films in the Family Planning and VD Programs. Family planning grants, which are made to local family planning establishments, were raised \$84,107 to the section's requested level.

Funding

Nursing Operations and Communicable Disease Programs are both entirely funded by general fund. Bureau administration is general funded with one FTE supported by the maternal and child health block grant. Venereal Disease and Childhood Immunization Programs are funded by federal program grants with general fund match. Family Planning Program is supported by federal family planning grants, and preventive health and maternal and child health block grants. Rabies vaccine, which has been moved from the Clinical Bureau, is supported by charges for vaccine. The following table shows each section and its funding source. There are no matching requirements.

Table 2
Funding Sources - Nursing Bureau

<u>Section</u>	<u>Funding Source</u>
Nursing Bureau Admin.	General Fund--MCH Block Grant
Nursing Operations	General Fund
Communicable Disease	General Fund
Immunization	Federal Immunization--General Fund
Venereal Disease	Federal VD--General Fund
Rabies Vaccine	Rabies Revolving Account

Issue 1: Additional FTE

The Nursing Bureau is requesting the addition of 3 FTE, two nurse consultants and an administrative assistant, and associated operating expenses for the 1986-87 biennium. There are no new programs associated with the positions.

Nursing operations provides support services to public health nurses around the state. The two nursing consultants would do much of this travel and increase the frequency of visits. They would also provide more Helena-based support services. The administrative assistant would primarily be engaged in office secretarial duties.

The department stated that adding the positions would allow present staff to expand their duties in Communicable Disease and Nursing Operations Programs,

both of which are entirely general funded. This expansion would require additional financial support to these two sections at some future time. Both are eligible for preventive health block grant funds. However, the department has currently allocated all block grants funds in the coming biennium. Therefore, any expansion would have to be funded with general fund. The additional FTE would use \$96,356 in fiscal 1986 and \$94,450 in fiscal 1987 from the preventive health block grant.

CLINICAL BUREAU

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	20.5	19.50	16.50	16.50	(17.5)
Personal Service	\$ 496,636	\$ 402,978	\$ 411,561	\$ 412,400	(8.4)
Operating Expense	4,995,188	4,702,896	5,005,311	5,005,311	3.2
Equipment	2,381	-0-	16,507	-0-	593.2
Inflation	-0-	-0-	70,601	116,390	--
Total Operating Costs	\$5,494,205	\$5,105,874	\$5,503,980	\$5,534,101	4.1
Non-operating Costs	<u>4,318,251</u>	<u>3,398,245</u>	<u>3,570,038</u>	<u>3,570,038</u>	<u>(7.5)</u>
Total Expenditures	<u>\$9,812,456</u>	<u>\$8,504,119</u>	<u>\$9,074,018</u>	<u>\$9,104,139</u>	<u>(.8)</u>
<u>Fund Sources</u>					
General Fund	\$ 230,533	\$ 277,390	\$ 189,268	\$ 181,980	(26.9)
Federal Revenue	<u>9,581,923</u>	<u>8,226,729</u>	<u>8,884,750</u>	<u>8,922,159</u>	--
Total Funds	<u>\$9,812,456</u>	<u>\$8,504,119</u>	<u>\$9,074,018</u>	<u>\$9,104,139</u>	<u>(.8)</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Perinatal Program				
Option a: Department Request	-0-	\$275,800	-0-	\$293,671
Option b: Current Level	-0-	\$190,190	-0-	\$199,699

The Clinical Bureau is an administrative entity consisting of the following sections: Clinical Bureau Administration, responsible for overall bureau administration; Women Infants and Children (WIC), which provides low income women and children at risk with nutritional counseling, education and food supplements; Child Nutrition, which provides cash reimbursement to those facilities that provide nutritional supplements for children and which meet nutritional standards; Tumor

Registry, which collects cancer data from medical facilities around the state; and Handicapped Children's Services (HCS), which provides diagnosis, evaluation and treatment services to chronically handicapped children.

Current Level Adjustments

All costs associated with the Improved Pregnancy Outcome and Diabetes Programs, which included 3 FTE, \$159,914 in operating expenses and \$34,157 in grants, have been removed due to the discontinuance of their funding. The Rabies Vaccine Program has been moved to the Nursing Bureau since the division feels it is more closely aligned to the duties of that bureau. The move does not involve any FTE but includes operating expenses of \$18,956 in fiscal 1984. An increase of \$32,464, or 8 percent, was added to handicapped children's services for payments to providers due to the increase in the number of cardiac cases being reported. A total of \$158,236 was added to the WIC Program, primarily for travel and food payments.

Medical facilities are required by state law to submit data concerning cancer incidence. The Tumor Registry Program complies this data, which can then be used to study the diagnosis, treatment, and survival of cancer patients, and provides follow-up informational services. A total of \$16,000 was added to the Tumor Registry Program: \$15,000 to purchase a computer and \$1,000 to purchase related supplies to directly interface with the Rocky Mountain Cancer Data Center in Salt Lake City. This should decrease operating costs and increase efficiency.

Total operating expenses exceed \$5,000,000 each year of the 1987 biennium. The major expenditure items are WIC food payments, totaling \$4,100,000; medical services for handicapped children's totaling \$440,000 and consulting and professional fees of the Administration, Tumor Registry, WIC, and Handicapped Children Sections totaling \$105,000.

The following table show grants activity in fiscal 1984 and fiscal 1986 and 1987 current level.

Table 3
Grants - Clinical Bureau

	Original Grant Appropriation	Budget Amendments	-- Current Level --	
			1986	1987
WIC	\$ 953,229		\$1,081,920	\$1,081,920
Child Nutrition	1,823,416	\$200,000	1,823,418	1,823,418
Grants to Counties	782,623	490,350	664,700	664,700
Total			<u>\$3,570,038</u>	<u>\$3,570,038</u>

Funding

The Clinical Administration Section was funded by general fund with one position funded by maternal and child health block grant administrative funds in fiscal 1984. Federal WIC and child nutrition funds are available for administrative purposes. Since the Clinical Bureau Administrative Section provides overall bureau administrative support, it is eligible for WIC and child nutrition administrative funds. WIC funds totaling \$33,659 in fiscal 1986 and \$33,673 in fiscal 1987, and child nutrition funds totaling \$28,896 in fiscal 1986 and \$25,635 in fiscal 1987 have been added to current level, replacing general fund. Tumor registry is entirely general funded; WIC is entirely funded by federal WIC funds; child nutrition is funded by federal child nutrition funds and handicapped children's services are funded by the maternal and child health block grant. The following table shows each section's funding source. There are no state matching requirements.

Table 4
Funding Sources - Clinical Bureau

<u>Section</u>	<u>Funding Source</u>
Administration	General Fund -- MCH Block Grant
Tumor Registry	General Fund
Handicapped Children's Services	MCH Block Grant
WIC	Federal WIC
Child Nutrition	Federal Child Nutrition

Issue 1: Perinatal Program

Montana's Improved Pregnancy Outcome Program (IPO) provided services to improve the outcome of high risk pregnancies. It consisted of two sections: IPO, which was primarily an educational service, and Newborn Transport, which provided transportation for women and infants in need of emergency care whose families were not eligible for medicaid, but did not have sufficient insurance or finances to afford the transportation. Federal funds for the program will have been entirely phased out by July, 1985. The bureau is requesting their continuance.

The department requests \$439,599 over the biennium to continue educational services compared to \$300,000 appropriated in the last biennium. The department requests \$64,936 each year of the coming biennium for newborn transport, an increase from a two-year, \$50,000 appropriation in fiscal 1984 and fiscal 1985.

Option a: Fund as requested. This will continue the IPO Program in its current form at an expanded level of service.

	<u>FY 86</u>	<u>FY 87</u>
Perinatal Educational Services		
MCH Block Grant	\$210,864	\$228,735
Newborn Transport		
MCH Block Grant	<u>64,936</u>	<u>64,936</u>
Total	<u>\$275,800</u>	<u>\$293,671</u>

Option b: Do not provide block grant funds for the Perinatal or Newborn Transport Programs. This will effectively end the two programs.

Option c: Maintain funding at prior levels, plus inflation. This will maintain the program at current level.

	<u>FY 86</u>	<u>FY 87</u>
Perinatal Educational Services		
MCH Block Grant	\$163,020	\$171,171
Newborn Transport		
MCH Block Grant	<u>27,170</u>	<u>28,528</u>
Total	<u>\$190,190</u>	<u>\$199,699</u>

EMERGENCY MEDICAL SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	9.30	9.30	9.30	9.30	0.00
Personal Service	\$200,635	\$222,436	\$226,982	\$227,161	7.4
Operating Expense	266,389	296,815	275,571	271,821	(2.8)
Equipment	4,035	5,000	700	4,450	27.6
Inflation	-0-	-0-	16,790	29,040	--
Total Expenditures	<u>\$471,059</u>	<u>\$524,251</u>	<u>\$520,043</u>	<u>\$532,472</u>	<u>5.7</u>
Fund Sources					
General Fund	\$282,142	\$311,686	\$299,143	\$301,520	1.2
State Special	21,787	30,000	21,787	21,787	(15.9)
Federal Revenue	<u>167,130</u>	<u>182,565</u>	<u>199,113</u>	<u>209,165</u>	<u>16.8</u>
Total Funds	<u>\$471,059</u>	<u>\$524,251</u>	<u>\$520,043</u>	<u>\$532,472</u>	<u>5.7</u>

The Emergency Medical Services Bureau (EMS) is responsible for the planning, implementation, and coordination of statewide emergency medical services. EMS manages the ambulance licensing Program, provides for the training and certifying of emergency medical technicians and administers the Montana Poison Control System.

Current Level Adjustments

The 1983 legislature directed that, should the Hypertension Program not be mandated in fiscal 1985, those block grant funds would be placed in the EMS Bureau. However, this was not meant as a permanent addition, and current level has not assumed that continuance.

The Poison Control System maintains a contract with Rocky Mountain Poison Control System in Denver. Long distance phone expenditures were increased 10 percent in fiscal 1986 and 1987 to allow for more calls on the WATS line. Within contract services, \$12,504 was removed at the bureau's request and an additional \$10,396 was added in fiscal 1986 and a further \$7,373 in fiscal 1987 to allow for the higher contract cost with Rocky Mountain. The following table shows contract costs since 1984.

Table 5
Rocky Mountain Poison Center

<u>Year</u>	<u>Contract Cost</u>
1984	\$51,051
1985	\$55,861
1986	\$61,447
1987	\$68,820

A modified level of \$10,750 was added in fiscal 1986 to allow the bureau to print the state emergency medical services plan. The equipment is for EMT training purposes and include three recording annies, two resusci-babies, two intubation mannekins and one moulage set, all to replace current, worn equipment.

Funding

Funding comes from three sources: general fund, the preventive health block grant, and Emergency Medical Technician (EMT) training and certification fees. The level of fees is dependent upon the number of EMT certification tests given. Current level assumes actual fiscal 1984 levels.

HEALTH PLANNING AND RESOURCE DEVELOPMENT

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	10.3	9.3	10.3	10.3	5.1
Personal Service	\$264,521	\$257,611	\$296,670	\$297,258	13.8
Operating Expense	82,309	81,647	81,838	78,591	(2.2)
Equipment	5	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	4,654	8,285	--
Total Expenditures	<u>\$346,835</u>	<u>\$339,258</u>	<u>\$383,162</u>	<u>\$384,134</u>	<u>11.8</u>
<u>Fund Sources</u>					
General Fund	\$118,414	\$105,643	\$122,003	\$122,003	8.9
Federal Revenue	<u>228,421</u>	<u>233,615</u>	<u>261,159</u>	<u>262,131</u>	<u>13.3</u>
Total Funds	<u>\$346,835</u>	<u>\$339,258</u>	<u>\$383,162</u>	<u>\$384,134</u>	<u>11.8</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Federal Fund Shortfall				
Option a:	\$50,078	-0-	\$49,951	-0-
Option c:	\$14,326	\$(27,809)	\$14,524	\$(28,193)

This bureau has three primary functions: production of the state health plan and related plans; administration of the Certificate of Need Program, which determines whether proposed medical facility construction is appropriate and necessary; and collection, maintenance and distribution of health facility, service and manpower data.

Current Level Adjustments

An additional \$4,550 has been added in 1987 to allow for the biennial printing and distribution of the state health plan. Communication was increased by \$2,000 to allow for increased phone usage and to account for an increase in newspaper advertising costs. Due to a move in fiscal 1984, the bureau had phone service for only eight months of the year. The increase will allow a full 12-month service. The bureau must publicly advertise all planning meetings. Costs, set by the newspapers, rose from \$3.60 to \$6 per folio. An additional \$7,800 has been added to fund the Governor's Conference on Health Care, a biennial symposium in which current health care concerns are discussed and health priorities set.

Funding

The bureau is funded by federal health planning funds with a general fund match. The match required is 25 percent of total operating costs or an average of the prior three year's contribution, whichever is larger. General fund maintenance of effort requirements are \$122,003 in fiscal 1986.

Issue 1: Federal Fund Shortfall

The bureau is anticipating \$211,081 in fiscal 1986 and \$212,180 in fiscal 1987 in federal funds. If this level of federal funding is realized current level would require general fund of \$170,081 in fiscal 1986 and \$171,954 in fiscal 1987.

Option a: Fund the entire expected shortfall with general fund. This would raise the level of state contribution required in future years due to maintenance of effort provisions in federal law. Additional general fund of \$50,078 in fiscal 1986 and \$49,951 in fiscal 1987 would be required.

Option b: Maintain general fund levels at the required maintenance of effort level. Require the bureau to cutback services or staff if sufficient federal funds do not materialize. This option is included in current level.

Option c: Transfer staff to the Medical Facilities Administration Bureau as proposed in Issue 1 on page 37 of the Department of Health and Environmental Sciences analysis. This would reduce expenditures in health planning by \$42,135 in fiscal 1986 and \$42,717 in fiscal 1987, leaving an additional general fund requirement of \$7,943 in fiscal 1986 and \$7,234 in fiscal 1987.

However, note that there may be some additional general fund required to support the proposed Administration Bureau.

LICENSING AND CERTIFICATION

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	15.50	15.50	15.00	15.00	(3.2)
Personal Service	\$411,537	\$419,919	\$418,528	\$419,659	.8
Operating Expense	105,293	117,379	128,521	129,510	15.9
Equipment	716	1,043	-0-	-0-	(100.0)
Inflation	-0-	-0-	6,837	12,206	--
Total Expenditures	<u>\$517,546</u>	<u>\$538,341</u>	<u>\$553,886</u>	<u>\$561,375</u>	<u>5.6</u>
<u>Fund Sources</u>					
General Fund	\$124,876	\$145,658	\$132,933	\$134,706	(1.1)
Federal Revenue	<u>392,670</u>	<u>392,683</u>	<u>420,953</u>	<u>426,669</u>	<u>(7.9)</u>
Total Funds	<u>\$517,546</u>	<u>\$538,341</u>	<u>\$553,886</u>	<u>\$561,375</u>	<u>5.6</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Increased General Fund Support				
Option a:	\$91,391	\$(91,391)	\$92,651	\$(92,651)
2. Additional Surveyors	\$27,414	\$ 37,520	\$25,812	\$ 35,512
3. Construction Consultant				
Option b:	\$ 1,935	\$ 6,128	\$ 1,935	\$ 6,138
Option c:	\$ 962	\$ 3,047	\$ 964	\$ 3,051

This bureau is responsible for the issuing of licenses, the granting of medicaid certification and the recommending of medicare certification to a variety of health care providers. It is also responsible for legal enforcement duties concerning local, state and federal laws governing health care providers.

Current Level Adjustments

A .5 FTE, building construction consultant position that had been vacant all year was removed from current level. Travel was increased by \$22,200 to fund federally mandated training trips.

Funding

The bureau has three funding sources: general fund, Title 18 funds (medicare) and Title 19 funds (medicaid). For a further discussion of funding, see Issue 1.

Issue 1: Increased General Fund Support

The department is requesting an increase in overall general fund support from 24 percent in fiscal 1984 to 40.5 percent in fiscal 1986 and fiscal 1987. As stated earlier, the bureau performs three main functions: licensing of providers, which is a state function; certification for medicaid and recommendation of certification for medicare. The following table shows the contribution of each function to the overall bureau budget since 1982, by percent.

Table 1
Contribution of Each Function to Total Costs, by Percent

	<u>82</u>	<u>83</u>	<u>84</u>	<u>--Requested--</u>	
				<u>86</u>	<u>87</u>
Licensing	16.6	17	16.2	30	30
Medicaid	41.3	40	29.5	35	35
Medicare	42.0	43	54.3	35	35

Licensing is entirely funded by general fund, medicaid is funded by Title 19 funds with general fund match of 25 percent on personal services and travel and 50 percent on other expenses. Medicare is entirely funded by federal Title 18 funds. The bureau would like to increase licensing to 30 percent of the total contribution, and increase the overall medicaid match to the federal government's rule of thumb level of 30 percent from the current 27 percent.

Federal law requires more frequent inspections, raising costs of federal certification in relation to state licensure. Federal law requires yearly inspections, while state law requires an on-site inspection every three years, with written reports the other two years. No location is on a three year rotation at this time, as the bureau feels more frequent inspections are necessary to ensure compliance.

Option a: Fund as requested at 40.5 percent general fund in fiscal 1986 and fiscal 1987. The following figure shows total current level costs of this option.

	<u>FY 86</u>	<u>FY 87</u>
General Fund	\$224,324	\$227,357
Title 18	193,860	196,481
Title 19	<u>135,702</u>	<u>137,537</u>
Total	<u>\$553,886</u>	<u>\$561,375</u>

Option b: Maintain fiscal 1984 overall general fund, Title 18 and Title 19 levels. Current level assumes this option.

		<u>FY 86</u>	<u>FY 87</u>
General Fund	24%	\$132,933	\$134,706
Title 18	54%	299,198	303,231
Title 19	22%	<u>121,855</u>	<u>123,438</u>
Total		<u>\$553,886</u>	<u>\$561,375</u>

The difference in general fund between this option and Option a is \$91,391 in fiscal 1986 and \$92,651 in fiscal 1987.

Issue 2: Additional Surveyors

The department has requested the addition of 2 surveyor FTE. The request was prompted by the federal government which stated that current staff levels were insufficient to perform federal certification requirements. The number of FTE are the result of an agreement with the federal authorities, not the result of a specific mandate. The department is requesting general fund support equal to one-third licensing, one-third medicare and one-third medicaid duties of the 2 FTE.

Option a: Fund the positions as requested.

	<u>FY 86</u>	<u>FY 87</u>
General Fund	\$27,414	\$25,812
Title 18	\$21,644	\$20,441
Title 19	\$15,876	\$15,071

Option b: Fund the positions, but require that they be supported by the Medicare and Medicaid Programs, since the requested FTE addition is prompted by the federal authorities in support of those two programs.

	<u>FY 86</u>	<u>FY 87</u>
General Fund	\$ 9,740	\$ 9,199
Title 18	\$22,727	\$21,463
Title 19	\$32,467	\$30,662

Option c: Do not fund the positions.

Issue 3. Building Construction Consultant

The bureau currently contracts with an engineer on a consulting basis to inspect building construction plans at a cost of \$10,187 per year. The department is requesting an increase in payment to \$18,250 per year. This sum represents 700 hours at \$22.50 per hour, plus \$2,500 in travel costs. As stated earlier, the bureau is authorized a .5 FTE building construction consultant position, which was vacant in fiscal 1984 and was therefore removed from current level. Costs to fill this position would total \$14,196 in fiscal 1986 and \$14,202 in fiscal 1987.

Option a: Remove the authorized .5 FTE building construction consultant position and continue to fund the current consultant at \$10,187 in each fiscal 1986 and 1987. This option is included in current level.

Option b: Remove the authorized .5 FTE position and fund the current consultant as requested at a total cost of \$18,250 each year. The net change to current level would be:

		<u>FY 86</u>	<u>FY 87</u>
General Fund	24%	\$1,935	\$1,935
Title 18	54%	4,354	4,354
Title 19	22%	<u>1,774</u>	<u>1,774</u>
Total Increase		<u>\$8,063</u>	<u>\$8,063</u>

Option c: Do not fund for the current consultant. Require the bureau to fill the authorized construction consultant position. The net change to current level would be:

		<u>FY 86</u>	<u>FY 87</u>
General Fund	24%	\$ 962	\$ 964
Title 18	54%	2,165	2,168
Title 19	22%	<u>882</u>	<u>883</u>
Total Increase		<u>\$4,009</u>	<u>\$4,015</u>

DEPARTMENT OF LABOR AND INDUSTRY

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	44.00	\$2,134,776	\$3,209,367
LFA Current Level	42.00	1,915,218	2,998,448
Executive Over (Under) LFA	<u>2.00</u>	<u>\$ 219,558</u>	<u>\$ 210,919</u>

The executive budget is \$210,919 over the LFA current level as in the executive budget there are two more FTE, upgrades for human rights staff, legal fees for labor standards, and dues for Interstate Conference of Employment Security Appeals. The general fund difference is due to LFA current level including Veterans' Administration money for the Apprenticeships Program and not adding the general fund portion of the items included in the executive budget above current level.

COMMISSIONER'S OFFICE

Issue 1: Deputy Commissioner

LFA current analysis does not fund the deputy commissioner position due to its vacancy during all of fiscal 1984. This position costs approximately \$99,000 for the 1987 biennium.

Issue 2: Dues

The executive budget includes approximately \$16,000 for the payment of dues to the Interstate Conference of Employment Security Agencies. LFA current level does not include these dues because they were not appropriated for and were not paid in fiscal 1982 or 1983 from this program.

LABOR STANDARDS

Issue 3: Compliance Specialist and Secretary

The executive budget contains 1.25 FTE or approximately \$52,866 for the biennium in personal services above current level. The executive has deleted a .25 FTE training position which was supported with Veterans' Administration funds and added a general fund compliance specialist and a half-time secretary.

Issue 4: Legal Fees

The executive added \$24,400 for 1987 biennium costs associated with anticipated law suits.

Issue 5: Veteran's Administration Funding

LFA current level analysis has included \$109,367 of Veterans' Administration funds in the same percentage contribution in the 1987 biennium as the potential contribution in fiscal 1984. The executive budget has included no federal Veterans' Administration funds.

APPEALS

Issue 6: Secretary

The current level contains more federal funding than the executive budget as the executive has eliminated 1 FTE secretary costing \$32,986 for the biennium. The executive budget states the secretary is not needed due to efficiency gained from reorganization.

HUMAN RIGHTS

Issue 7: Additional .75 FTE Compliance Officer

The executive has added a .75 FTE compliance officer to assist with new case filings and help address the current case backlog. The executive budget indicates that the number of cases received per year is 380. Based on cases closed per compliance officer, the executive staffing level will almost handle 380 cases per year. The current level analysis continues the fiscal 1985 staff level. If the cases received each year equal fiscal 1985 cases received, current level FTE will be able to maintain their workload, but not reduce the case backlog.

Issue 8: Upgrades

The executive budget contains approximately \$19,000 in the 1987 biennium budget for 4.5 FTE compliance specialist upgrades.

Issue 9: Operating Expenses

The executive budget includes increases to communications of \$2,800 not included in current level. Legal fees, filing fees, and overhead charges are \$5,900 higher in the executive budget than current level.

DEPARTMENT OF LABOR AND INDUSTRY

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	45.25	37.00	42.00	42.00	2.1
Personal Service	\$1,139,855	\$ 992,608	\$1,121,859	\$1,124,538	5.3
Operating Expense	374,438	358,963	361,142	358,272	(1.9)
Equipment	16,589	1,500	400	-0-	(97.7)
Inflation	-0-	-0-	11,673	20,564	--
Total Expenditures	<u>\$1,530,882</u>	<u>\$1,353,071</u>	<u>\$1,495,074</u>	<u>\$1,503,374</u>	<u>3.9</u>
Fund Sources					
General Fund	\$ 986,635	\$1,013,719	\$ 953,994	\$ 961,224	(4.2)
State Special	2,800	2,800	3,250	3,250	16.0
Federal Revenue	541,447	333,052	534,330	535,400	22.3
Proprietary Fund	-0-	3,500	3,500	3,500	100.0
Total Funds	<u>\$1,530,882</u>	<u>\$1,353,071</u>	<u>\$1,495,074</u>	<u>\$1,503,374</u>	<u>3.9</u>

The Department of Labor and Industry, under the direction of the Commissioner of Labor and Industry, provides services through the Labor Standards Division, Personnel Appeals Division, and the Human Rights Division. These divisions are discussed in the following sections.

The FTE change as 7 FTE were transferred from Employment Security Division to the Appeals Program for the Board of Labor which hears cases involving unemployment insurance and one compliance officer, a half-time secretary, and the deputy commissioner positions are eliminated. In fiscal 1984, no services were received in the program from these eliminated positions.

Federal revenue shows a large increase. This is due to fiscal 1985 not reflecting the transferred FTE and federal funds.

COMMISSIONER'S OFFICE

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E.	4.00	4.00	3.00	3.00	(25.0)
Personal Service	\$120,736	\$149,109	\$106,208	\$106,447	(21.1)
Operating Expense	56,710	30,162	25,907	24,475	(42.0)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>595</u>	<u>987</u>	<u>--</u>
Total Expenditures	<u>\$177,446</u>	<u>\$179,271</u>	<u>\$132,710</u>	<u>\$131,909</u>	<u>(25.8)</u>
Fund Sources					
Federal Revenue	<u>\$177,446</u>	<u>\$179,271</u>	<u>\$132,710</u>	<u>\$131,909</u>	<u>(25.8)</u>

The Commissioner's Office is responsible for overall administration of the Department of Labor and Industry.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	4.00	4.00	0.00
Personal Services	\$149,367	\$120,736	\$ 28,631
Operating Expenses	<u>28,369</u>	<u>56,710</u>	<u>(28,341)</u>
Total Costs & Federal Revenue	<u>\$177,736</u>	<u>\$177,446</u>	<u>\$====290</u>

There is \$28,631 less expenditures in personal services than anticipated. This is due to two factors. The deputy commissioner's position was vacant the entire year at a savings of \$47,000. However, there was approximately \$17,000 more expended on the commissioner's position than budgeted. Position control reports show that 2,734.3 hours were paid for the commissioner's position which is 646.3 hours more than the working year.

Operating expenses were \$28,341 more than anticipated due primarily to two items. First, part of the expenses for a \$48,000 office automation study conducted by Arthur Andersen were paid from this budget. Second, dues of \$8,000 were paid to the Interstate Conference of Employment Security Agencies (ICESA).

Current Level Adjustments

The deputy commissioner position, which had been vacant all of 1984, was removed from current level. The \$8,000 for ICESA dues were deleted as this program was not budgeted to pay the dues and has not paid the dues in fiscal 1982 or 1983. Contract services expenditures totaling \$21,418 were removed from current level at the division's request. Overhead charges to fund Centralized Services Division are based on FTE. With the removal of 1 FTE, recharges were reduced by \$4,760 to \$14,813. Travel was increased by \$1,835 in fiscal 1986 to fund the commissioner's trips to the board meetings of the Interstate Conference of Employment Security Agencies (ICESA).

Funding

The Commissioner's Office is funded by allocating its costs to other programs and divisions within the Department of Labor and Industry. Those divisions that contribute are Labor Standards, Appeals, Human Rights, Job Service and Training, Unemployment Insurance, Worker's Compensation Divisions, and the Data Processing, Research and Analysis, and Audit Bureaus of the Centralized Services Division. The following table shows fiscal 1986 current level funding by contributing division and type of funds. The totals in each type of fund represent their overall support to the funding of each contributor division. The same percentage contributions apply to fiscal 1987 funding. Since ICESA is directly related to these two programs, the added travel for ICESA was funded by federal funds which support the Job Service and Unemployment Insurance Programs. The account has a projected fund balance of approximately \$50,000 at July 1, 1985. This fund balance is used to reduce the overhead charges during the 1987 biennium.

Table 1
Commissioner's Office-Funding by Type - Fiscal 1986

Contributor	General Fund	State Revenue	Federal Revenue	Total
Labor Standards	\$1,813	\$ 13	\$ 217	\$ 2,043
Appeals	1,034		823	1,857
Human Rights	805		494	1,299
Job Service			55,023	55,023
Unemployment Insurance			13,555	13,555
Centralized Services			14,492	14,492
Worker's Compensation		21,168		21,168
Carryover	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>23,273</u>
Total Overhead Charges	<u>\$3,652</u>	<u>\$21,181</u>	<u>\$84,604</u>	<u>\$132,710</u>
Percentage of Total Costs	<u>2.7</u>	<u>16.0</u>	<u>63.8</u>	<u>100.0*</u>

*Carryover contributes the remaining 17.5 percent.

LABOR STANDARDS DIVISION

Budget Item	Actual Fiscal 1984	Appropriated Fiscal 1985	---Current Level--- Fiscal 1986 Fiscal 1987		% Change 1985-87 Biennium
F.T.E.	16.25	14.75	14.75	14.75	(4.8)
Personal Service	\$368,921	\$362,126	\$372,290	\$373,353	1.9
Operating Expense	127,820	145,796	141,967	140,745	3.3
Equipment	-0-	1,500	400	-0-	(73.3)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>3,471</u>	<u>6,197</u>	<u>--</u>
Total Expenditures	<u>\$496,741</u>	<u>\$509,422</u>	<u>\$518,128</u>	<u>\$520,295</u>	<u>3.2</u>
Fund Sources					
General Fund	\$479,214	\$488,622	\$460,301	\$462,255	(4.7)
State Special	2,800	2,800	3,250	3,250	16.0
Federal Revenue	<u>14,727</u>	<u>18,000</u>	<u>54,577</u>	<u>54,790</u>	<u>234.1</u>
Total Funds	<u>\$496,741</u>	<u>\$509,422</u>	<u>\$518,128</u>	<u>\$520,295</u>	<u>3.2</u>

The Labor Standards Division is composed of two bureaus: standards and apprenticeship. The Standards Bureau enforces and administers all state laws

pertaining to wages and hours; wage payments; bar, restaurant, tavern, and contractor bonds; and private employment agencies. The Apprenticeship Bureau provides for apprenticeships and on-the-job training for workers.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	14.75	16.25	(1.5)
Personal Service	\$362,651	\$368,921	\$(6,270)
Operating Expenses	138,073	127,820	10,253
Total Expenditures	<u>\$500,724</u>	<u>\$496,741</u>	<u>\$ 3,983</u>
<u>Funding</u>			
General Fund	\$480,924	\$479,214	\$ 1,710
State Special	2,800	2,800	-0-
Federal Revenue	17,000	14,727	2,273
Total Funds	<u>\$500,724</u>	<u>\$496,741</u>	<u>\$ 3,983</u>

A .2 FTE compliance specialist position was transferred from the Appeals Division and a .5 secretary position was transferred from centralized services in June 1984. The remaining .8 FTE compliance specialist was transferred in early fiscal 1985. The two positions were in the program less than one month of fiscal 1984 and otherwise were vacant. Contract services was allocated \$14,106, but expended \$4,348. Communications was overexpended \$2,728 from the appropriated level of \$16,292. Federal revenue is Veterans' Administration funds expended in the Apprenticeship Bureau.

Current Level Adjustments

There are three current level adjustments: (1) transferred FTE, (2) overhead costs, and (3) Veterans' Administration funds.

Transferred FTE

The compliance specialist and secretary positions, totaling 1.5 FTE, transferred to this program from other divisions are not funded as part of current level for four reasons. First, the legislature did not approve an expansion of this program. Second, the positions were not transferred until

June 1984 and were vacant so no services were delivered by these positions in fiscal 1984. Third, when asked, the department would not provide actual workload statistics for fiscal 1984 and projected workload statistics for fiscal 1985, 1986, and 1987 in a timely manner. Fourth, if as the department represented in June when the positions were transferred, the workload is increasing due to federal law changes, the department should pursue federal funding.

Overhead Cost

The department has reallocated its overhead costs and increased the charges to this program by 23 percent or \$13,447 a year. Overhead charges for the Commissioner's Office and Centralized Services Division now cost \$71,532 a year.

Veterans' Administration Funding

Since the 1960's the Apprenticeship Bureau has been funded from two sources: general fund and Veterans' Administration (VA) funds. In the 1981 legislative session, the bureau indicated that further contribution of Veterans' Administration funds was in doubt and requested all general fund in order to maintain current level in fiscal 1982 and 1983. This request was approved and additional general fund of \$152,229 for the 1983 biennium was appropriated to the bureau. In fiscal 1982 the bureau submitted a budget amendment of \$37,955 for VA funds which had become available and general fund was reverted. The bureau submitted a budget amendment in fiscal 1983 of \$61,496 VA funds which was approved.

In the 1983 legislative session, the bureau indicated that federal VA funds were again in jeopardy. The total level expected from the VA was reduced to \$17,000 in 1984 and \$18,000 in 1985, and general fund was again requested to substitute for the reduction in VA funds to allow the bureau to remain at current level. The request was again granted.

A budget amendment was submitted in fiscal 1984 for VA funds of \$37,500 to provide for an additional .75 FTE costing \$14,500, and stating that the remaining \$23,000 would result in a reversion. This budget amendment request was denied.

There were two problems with considering these funds for budget amendment. First, these funds should have offset general fund. Second, no significantly different services would have been provided with these funds. Section 3 of the boilerplate language in House Bill 447 reads:

"Other funds to offset general fund. The approving authority shall decrease the general fund appropriation of the agency by the amount of

funds received from other sources in excess of the appropriation provided in this act unless such action is expressly contrary to state or federal law, rule, or contract or the approving authority certifies that the services to be funded by the additional funds are significantly different from those for which the agency has received a general fund appropriation."

The executive budget represented the functions of the Labor Standards Program under current level as follows:

"The Labor Standards Program includes the Apprenticeship Bureau and the Labor Standards Bureau. The Apprenticeship Bureau administers all registered apprenticeship programs and serves as the state approval agency for on-the-job training (OJT) and apprenticeship and OJT services for qualified veterans. The bureau works primarily in the private sector to develop employment opportunities and quality training.

The Labor Standards Bureau administers and enforces the state's laws on wages, hours, working conditions, child labor, contractors' bonds, restaurant and tavern bonds, maternity leave, and private employment agency licensure."

The budget amendment states that the budget amended funds of \$14,500 will provide the following service:

". . .inspection, approval and supervision of employers desiring to secure apprenticeship or on-the-job training approved to train veterans eligible for education benefits guaranteed under the G.I. Bill."

These services were not significantly different from those for which the agency had received a general fund appropriation. The department had said \$23,000 of the \$37,500 should revert to the general fund, and the department was not able to show that the \$14,500 should not revert to the general fund as the VA funds were available to fund the program for which the legislature had replaced federal funds with general fund. The Veterans' Administration funds which were presented as available in fiscal 1984 were \$52,000 although the accounting records do not indicate that the Department of Labor and Industry reverted the general fund and used the additional \$37,500 of federal funds in accordance with provision three of House Bill 447.

Again for the 1987 biennium, the bureau has indicated it is anticipating no VA funds and is requesting all general fund for fiscal 1986 and 1987 in order to remain at current level. However, according to a phone conversation with the Veterans' Administration, VA funds are available if the bureau desires them. Therefore, current level assumes the same percentage contribution of VA funds to total funding in fiscal 1986 and 1987 as the potential fiscal 1984 funding to total 1984 expenditures, or \$54,577 in fiscal 1986 and \$54,790 in fiscal 1987.

APPEALS DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E.	14.50	8.50	14.50	14.50	26.00
Personal Service	\$444,725	\$257,075	\$417,561	\$418,465	19.1
Operating Expense	123,154	110,648	123,271	123,137	5.3
Inflation	-0-	-0-	5,228	9,026	--
Total Expenditures	<u>\$567,879</u>	<u>\$367,723</u>	<u>\$546,060</u>	<u>\$550,628</u>	<u>17.2</u>
Fund Sources					
General Fund	\$331,258	\$356,223	\$309,617	\$312,967	(9.4)
Federal Revenue	236,621	8,000	232,943	234,161	90.9
Proprietary Fund	-0-	3,500	3,500	3,500	100.0
Total Funds	<u>\$567,879</u>	<u>\$367,723</u>	<u>\$546,060</u>	<u>\$550,628</u>	<u>17.2</u>

The Appeals Division is composed of two boards: the Board of Personnel Appeals, which hears classification appeals for state employees and administers the Montana Collective Bargaining Act for public employees and the Nurse's Employment Practices Act; and the Board of Labor Appeals, which hears disputes involving Montana's unemployment insurance laws.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	8.50	14.50	6.00
Personal Service	\$257,347	\$444,725	\$(187,378)
Operating Expenses	<u>108,292</u>	<u>123,154</u>	<u>(14,862)</u>
Total Expenditures	<u>\$365,639</u>	<u>\$567,879</u>	<u>\$(202,240)</u>
Funding			
General Fund	\$357,639	\$331,258	\$ 26,381
Federal Revenue	<u>8,000</u>	<u>236,621</u>	<u>(228,621)</u>
Total Funds	<u>\$365,639</u>	<u>\$567,879</u>	<u>\$(202,240)</u>

The division transferred 1 FTE, a compliance specialist, to the Labor Standards Division. The position was vacant throughout fiscal 1984. Six FTE

were transferred from the Unemployment Insurance Program to place all appeals functions in one division. In addition, 1 support FTE for the 6 appeals FTE was transferred from centralized services in the Employment Security Division. This transfer involved \$230,322 in personal and operating expenses.

Operating expenses exceeded the anticipated level due to the FTE transferred. After factoring out the effect of the transfer, only contract services varied significantly. Approximately \$16,000 was expended from the budgeted \$30,399.

Current Level Adjustments

Contract services for graphic arts expenses totaling \$2,163 and one-time phone charges of \$2,316 were removed from current level at the division's request. Printing was raised \$2,695 to allow the division to print the Indexed Board Decisions. Overhead charges were lowered \$666 due to lower fund requirements in the Commissioner's Office.

Funding

The division has four funding sources: general fund; payments received by the division from the federal government to reimburse persons doing contract work for the division which are expected to total \$7,280 in each year of the biennium; income received from the sale of case decisions that is expected to total \$3,500 in each fiscal 1986 and 1987; and labor and industry federal funding which supports the Board of Labor Appeals and funds a portion of the division's support staff. Current level funding from this source is \$225,663 in fiscal 1986 and \$226,881 in fiscal 1987 to support the seven FTE for the Board of Labor Appeals.

HUMAN RIGHTS DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	10.50	9.75	9.75	9.75	3.7
Personal Service	\$205,473	\$224,298	\$225,800	\$226,273	5.1
Operating Expense	66,754	72,357	69,997	69,915	0.5
Equipment	16,589	-0-	-0-	-0-	(100.0)
Inflation	-0-	-0-	2,378	4,354	--
Total Expenditures	<u>\$288,816</u>	<u>\$296,655</u>	<u>\$298,175</u>	<u>\$300,542</u>	<u>2.3</u>
Fund Sources					
General Fund	\$176,163	\$168,874	\$184,075	\$186,002	7.2
Federal Revenue	<u>112,653</u>	<u>127,781</u>	<u>114,100</u>	<u>114,540</u>	<u>(4.9)</u>
Total Funds	<u>\$288,816</u>	<u>\$296,655</u>	<u>\$298,175</u>	<u>\$300,542</u>	<u>2.3</u>

The Human Rights Commission is charged with enforcement of state and federal laws designed to eliminate discrimination in the areas of employment, public accommodations, housing, financing and credit transactions, education, and government services.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	10.50	10.50	0.00
Personal Service	\$240,958	\$205,473	\$35,485
Operating Expenses	71,656	66,754	4,902
Equipment	<u>2,086</u>	<u>16,589</u>	<u>(14,503)</u>
Total Expenditures	<u>\$314,700</u>	<u>\$288,816</u>	<u>\$25,884</u>
Funding			
General Fund	\$176,426	\$176,163	\$ 263
Federal Revenue	<u>138,274</u>	<u>112,653</u>	<u>25,621</u>
Total Funds	<u>\$314,700</u>	<u>\$288,816</u>	<u>\$25,884</u>

Personnel vacancies for the year totaled the equivalent of a 1 FTE compliance specialist, a .5 FTE secretary and a .46 FTE lawyer, resulting in the personal

services difference. Within operating expenses, communications was overspent by \$8,769 from the appropriated level of \$6,484. Contract services was allocated \$7,521, but only \$3,819 was expended. Travel expenses were \$4,919 lower than the appropriated level of \$22,895. Supplies, rent, repair and maintenance, and other expense totaled \$4,933 less than appropriated. Equipment was overexpended to purchase a word processor. Federal funding is primarily composed of Equal Employment Opportunity Commission (EEOC) funding, which was \$25,621 less than anticipated.

Current Level Adjustments

Within operating expenses, \$2,400 was added for a maintenance contract on the IBM Displaywriter purchased in fiscal 1984. Overhead charges were raised \$1,414 which is comparable to the inflation increases.

Caseload

The Human Rights Division has experienced case backlog problems. In fiscal 1984, an additional 2.5 FTE compliance officers were added and in fiscal 1985 this was reduced to 1.75 FTE compliance officers added. With these new FTE, the backlog of cases was to be reduced to 172 at the end of fiscal 1984 and 116 at the end of fiscal 1985. Table 2 shows fiscal 1984 caseload activity as represented to the 1983 legislature and actual fiscal 1984 caseload activity. The comparison shows 98 more cases on hand at the beginning of the year, 67 more cases received than anticipated, 28 more cases closed than estimated, and 137 more backlogged cases than the division's goal.

Table 2
Comparison of Human Rights Division Estimated and Actual Caseload Activity
Fiscal 1984

	<u>Estimated</u>	<u>Actual</u>	<u>Difference</u>
Cases on Hand	236	334	98
Cases Received	<u>250</u>	<u>317</u>	<u>67</u>
Total Cases	486	651	165
Cases Closed	<u>314</u>	<u>342</u>	<u>28</u>
Ending Cases	<u>172</u>	<u>309</u>	<u>137</u>

*Department numbers presented to 1983 legislature do not tie by 17 cases. These were put in cases closed.

The number of cases received fluctuates, but have remained in the range of 250 to 300 generally. Table 3 shows cases received yearly since 1978. The average is 272 cases per year.

Table 3
Cases Received Yearly by the Human Rights Division

Fiscal Year	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>Average</u>
Cases	308	264	240	274	270	230	317	272

In fiscal 1984, there were 6.5 FTE compliance officers authorized. Based on hours paid there were the equivalent of 5.5 FTE compliance officers working. For the hours worked, each 1 FTE compliance officer closed 57 cases. The division workload scenarios have 1 FTE compliance officer closing 58 to 66 cases a year.

Table 4 shows how many compliance officers it would take to reduce the backlog and have a six-month working inventory per officer. The number of cases closed per officer is based on 57 which was reported as actual in fiscal 1984.

Table 4
Caseload Scenarios for Eliminating the Case Backlog

	5.00	5.75	6.75	*	5.00	5.75	6.75	*	5.75	6.75
<u>Compliance Officers</u>				*				*		
Cases Received	272	272	272	*	326	326	326	*	380	380
Cases On Hand	309	309	309	*	309	309	309	*	309	309
6 Month Inventory	<u>143</u>	<u>143</u>	<u>143</u>	*	<u>164</u>	<u>164</u>	<u>164</u>	*	<u>192</u>	<u>192</u>
Cases Backlogged	<u>166</u>	<u>166</u>	<u>166</u>	*	<u>145</u>	<u>145</u>	<u>145</u>	*	<u>117</u>	<u>117</u>
<u>Cases Closed</u>				*				*		
Regular Cases	272	272	272	*	285	327	326	*	327	380
Backlogged Cases	-0-	56	113	*	(41)	-0-	59	*	(52)	-0-
Years to Catch up	<u>---</u>	<u>==3</u>	<u>1.5</u>	Growth	<u>---</u>	<u>2.5</u>	Growth	<u>---</u>		

If the caseload received is 272 per year, it will take 5 FTE compliance officers for current level work. If the caseload received is 326, it will take 5.75 FTE for current level work. If the caseload received is 380, it will take 6.75 FTE compliance officers.

If the backlog is to be caught up to a six-month working inventory, it will take 6.75 FTE compliance officers a year and a half to do so when 272 cases per year are received; 6.75 FTE compliance officers two and a half years if 326 cases are received each year; and 6.75 FTE compliance officers cannot decrease the backlog if 380 cases are received each year. Last session the Human Rights Division estimated 250 cases received each year. For the 1985 session the division is projecting 380 cases received each year.

Current level has 5.75 FTE compliance officers. Human rights had estimated this level could decrease the backlog. However, with 317 cases being received in fiscal 1984, 5.75 FTE will only allow the number of cases received each year to be closed. There will be a one-year inventory of caseload work. Should the cases received be below 326, the backlog caseload can be reduced.

Funding

The division is funded from three sources: general fund, federal Equal Employment Opportunity Commission (EEOC), and Housing and Urban Development (HUD) funds.

The division is required to deal with all cases of discrimination which violate state law. Sometimes these cases will crossover into federal law. When they do, the division is reimbursed with EEOC funds. The current reimbursement is \$411 per case handled. The division received \$92,056 in fiscal 1984. Current level assumes the same percentage contribution to total funding in fiscal 1986 and 1987 as actual fiscal 1984 funding. This totals \$6,100 in 1986 and \$97,040 in 1987. HUD funds are made available on a contract basis to process housing discrimination claims. Currently, the contract is a flat rate which totaled \$20,595 in fiscal 1984. This level subsidized 1 FTE position. The basis for the contract is being changed in federal fiscal year 1986, however, and will now be based on the actual number of cases processed with a \$500 per case reimbursement. As a result the division anticipates funding of \$12,500 in fiscal 1986 and \$12,000 in fiscal 1987. The division is also reimbursed by both EEOC and HUD for travel and training expenses directly related to federal duties. The travel reimbursement is expected to total \$5,500 in each year of the biennium.

EMPLOYMENT SECURITY DIVISION

	FTE <u>FY '87</u>	- - - - 1987 Biennium - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	569.90	\$750,000	\$54,638,496
LFA Current Level	<u>557.90</u>	<u>750,000</u>	<u>53,942,143</u>
Executive Over (Under) LFA	<u><u>12.00</u></u>	<u><u>-0-</u></u>	<u><u>\$ 696,353</u></u>

The executive budget is \$696,353 above LFA current level. The difference in total funding is due primarily to equipment and the addition of 9 FTE by the executive in contrast to the deletion of three positions in LFA current level. The following issues reflect the major differences between the executive budget and current level.

JOB SERVICE

Issue 1: Job Training Partnership Act (JTPA) Grants

The executive budget contains \$2,520,000 in JTPA grants in fiscal 1986 and \$2,920,000 in fiscal 1987 to the Department of Labor and Industry. The same amounts are also included in the budget of the JTPA Subgrant Program. Current level does not include this double appropriation. All JTPA grants are included in the JTPA Subgrant Program. Since the total recommended budget of the JTPA Subgrant Program does not change from fiscal 1986 to fiscal 1987, the increase in grants to the Department of Labor and Industry represents a reallocation of grant funds from non-Department of Labor and Industry recipients.

Issue 2: Management Training

The executive budget includes \$48,800 for additional management skills training for employees. Current level does not include an expansion of current training.

JOB TRAINING PARTNERSHIP ACT (JTPA) SUBGRANTS

Issue 3: Total JTPA Subgrants

LFA current analysis includes all JTPA subgrant funds available, according to the Department of Labor and Industry's estimates for fiscal 1986 and fiscal 1987. This is \$2,900,000 higher in each year than the executive subgrant program of \$7,100,000. The LFA current level shows all the JTPA funds and subgrants in one budget so the legislature can determine the policy question of

which government or private organizations should receive the subgrants.

UNEMPLOYMENT INSURANCE

Issue 4: Computer Processing Charges

The executive has added \$70,000 in computer services expenses in fiscal 1986 and \$80,000 in fiscal 1987, \$30,000 and \$40,000 over current level increases, respectively.

Issue 5: Equipment

The executive budget contains \$57,750 in fiscal 1986 and \$49,500 in fiscal 1987 to purchase work station room dividers. The dividers are not part of equipment to improve or maintain services and are not included in current level.

Issue 6: Random Audit

The executive budget adds 6 FTE and associated expenses of \$183,908 in fiscal 1986 and \$181,005 in fiscal 1987 for a random audit program. This program was budget amended in fiscal 1984 and is not included in current level.

CENTRALIZED SERVICES

Issue 7: FTE Levels

Current level has deleted 3 FTE positions totaling \$60,300 each year of the biennium due to their vacancy during all of fiscal 1984. The executive has retained these positions.

Issue 8: Research and Analysis Bureau

The executive budget contains an additional 3 FTE and related expenses totaling \$103,073 in fiscal 1986 and \$85,813 in fiscal 1987 to increase the statistical capabilities of the Research and Analysis Bureau. This expansion of services is not included in current level.

EMPLOYMENT SECURITY DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	567.65	568.40	557.90	557.90	(1.7)
Personal Service	\$11,991,568	\$12,620,793	\$12,709,388	\$12,729,594	3.3
Operating Expense	2,969,354	3,514,144	3,126,160	3,145,047	(3.2)
Equipment	1,356,719	823,103	451,734	405,758	(60.6)
Inflation	-0-	-0-	178,453	286,009	--
Total Operating Costs	\$16,317,641	\$16,958,040	\$16,465,735	\$16,566,408	(0.7)
Non-Operating Costs	10,328,922	16,398,638	10,455,000	10,455,000	(21.7)
Total Expenditures	<u>\$26,646,563</u>	<u>\$33,356,678</u>	<u>\$26,920,735</u>	<u>\$27,021,408</u>	<u>(10.1)</u>
Fund Sources					
General Fund	\$ 312,013	\$ 303,164	\$ 375,000	\$ 375,000	21.9
Federal Revenue	26,334,550	33,053,514	26,545,735	26,646,408	(10.4)
Total Funds	<u>\$26,646,563</u>	<u>\$33,356,678</u>	<u>\$26,920,735</u>	<u>\$27,021,408</u>	<u>(10.1)</u>

The Employment Security Division collects and disburses state unemployment funds, acts as an employment agency, provides training, and oversees federal Job Training and Partnership Act (JTPA) grants. It is composed of four programs: Job Service, JTPA Subgrants, Unemployment Insurance and Centralized Services.

Total costs decrease 10 percent as grants budgeted in fiscal 1985 are \$6 million above the actual fiscal 1984 expenditures and expected grants in the 1987 biennium. FTE decrease due to a transfer of 7 FTE to the Labor and Industry Agency and the deletion of some vacant positions.

JOB SERVICE PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	357.00	357.00	355.00	355.00	.3
Personal Service	\$ 7,743,359	\$ 8,028,908	\$ 8,206,985	\$ 8,221,226	4.1
Operating Expense	1,639,691	1,904,197	1,702,268	1,705,461	(3.8)
Equipment	404,867	-0-	355,251	356,809	75.8
Inflation	-0-	-0-	106,071	170,172	--
Total Operating Costs	\$ 9,787,917	\$ 9,933,105	\$10,370,575	\$10,453,668	5.5
Non-Operating Costs	2,346,350	4,771,187	80,000	80,000	(97.7)
Total Expenditures	<u>\$12,134,267</u>	<u>\$14,704,292</u>	<u>\$10,450,575</u>	<u>\$10,533,668</u>	<u>(21.8)</u>
<u>Fund Sources</u>					
General Fund	\$ 40,837	\$ 49,163	\$ -0-	\$ -0-	(100.0)
Federal Revenue	12,093,430	14,655,129	10,450,575	10,533,668	(21.5)
Total Funds	<u>\$12,134,267</u>	<u>\$14,704,292</u>	<u>\$10,450,575</u>	<u>\$10,533,668</u>	<u>(21.8)</u>

This program acts as a labor exchange through the job service offices throughout the state by listing jobs and referring qualified personnel to employers. It also takes unemployment insurance claims. The program administers federal Job Training Partnership Act (JTPA) funds, which help to provide employment and training for unemployed, underemployed, and economically disadvantaged persons.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	357.00	357.00	0.00
Personal Services	\$ 8,040,496	\$ 7,743,359	\$ 297,137
Operating Expenses			
Contracted Services	621,449	402,759	218,690
Supplies	128,380	51,096	77,284
Communications	340,073	294,949	45,124
Travel	166,963	176,567	(9,604)
Rent	244,142	307,807	(63,665)
Utilities	126,123	100,171	25,952
R & M	91,557	126,392	(34,835)
Other	166,348	179,950	(13,602)
Total Operating Expenses	\$ 1,885,035	\$ 1,639,691	\$ 245,344
Equipment	\$ -0-	\$ 404,867	\$ (404,867)
Total Operating Costs	\$ 9,925,531	\$ 9,787,917	\$ 137,614
Non-Operating Costs			
Benefits and Claims	4,410,000	2,316,055	2,093,945
Capital Outlay	-0-	30,295	(30,295)
Total Expenditures	<u>\$14,335,531</u>	<u>\$12,134,267</u>	<u>\$2,201,264</u>
Funding			
General Fund	\$ 44,500	\$ 40,837	\$ 3,663
Federal Revenue	<u>14,291,031</u>	<u>12,093,430</u>	<u>2,197,601</u>
Total Funds	<u>\$14,335,531</u>	<u>\$12,134,267</u>	<u>\$2,201,264</u>

Equipment was overexpended in automating the metropolitan job service offices. Benefits and claims are federal JTPA grants to individuals. General fund was appropriated in House Bill 1, the Build Montana Bill. It was used to fund one administrative position for \$34,879 and travel of \$5,903 to assist displaced workers.

Current Level Adjustments

The FTE decreased by two because the State Occupational Information Coordinating Committee was transferred to the Central Services Division. JTPA payments to individuals, which totaled \$2,316,055 in 1984, were removed from current level. The funds are part of the subgrant total in the JTPA Subgrant Program.

With federal funding, the Job Service Program undertook a major automation expansion in the metropolitan job service offices in fiscal 1984. The automation project is continuing into the 1987 biennium in the rural offices.

Current level was increased by \$49,000 to provide software and licensing for the new systems and \$55,000 to provide maintenance contracts for the new equipment. Data processing equipment rent was lowered \$33,467 to \$4,272 at the agency's request. Janitorial services costs were raised \$4,957. Overhead charges to fund the commissioner's office and centralized services were raised \$4,621 due to a reallocation of charges within the labor department.

Of the total equipment in fiscal 1986, \$312,500 is to automate the rural offices and improve the phone systems; \$23,599 is to replace three automobiles in the 21 vehicle fleet; \$16,092 is to replace standard office equipment in the Job Service Offices; and \$3,060 is for the lease/purchase of a photocopy machine. Equipment in fiscal 1987 is identical with the exception of inflation adjustments to the automobiles bringing that total to \$24,799 and to the office equipment bringing that total to \$16,470.

Funding

This program is funded by Wagner-Peyser funds and a number of other federal funds. The department was unable to identify specifically what federal grants had been received and what had been expended from each grant in fiscal 1984. The agency was also unable to give estimated federal grant expectations for fiscal 1985, 1986, and 1987. This was needed to show what and how much federal revenue would be available.

No general fund was included here as a funding source. The FTE and operating costs were not removed. However, the decision to continue general fund as part of the match for JTPA is discussed under the JTPA Subgrant Program.

CETA/JOB TRAINING PARTNERSHIP ACT

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	0.00	0.00	0.00	0.00	(0.0)
Personal Service	\$ -0-	\$ 1	\$ -0-	\$ -0-	(100.0)
Operating Expense	<u>-0-</u>	<u>1</u>	<u>-0-</u>	<u>-0-</u>	<u>--</u>
Total Operating Costs	\$ -0-	\$ 2	\$ -0-	\$ -0-	(100.0)
Non-Operating Costs	<u>7,982,572</u>	<u>11,627,451</u>	<u>10,375,000</u>	<u>10,375,000</u>	<u>5.8</u>
Total Expenditures	<u><u>\$7,982,572</u></u>	<u><u>\$11,627,453</u></u>	<u><u>\$10,375,000</u></u>	<u><u>\$10,375,000</u></u>	<u><u>5.8</u></u>
<u>Fund Sources</u>					
General Fund	\$ 271,176	\$ 254,001	\$ 375,000	\$ 375,000	42.8
Federal Funds	<u>7,711,396</u>	<u>11,373,452</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>4.8</u>
Total Funds	<u><u>\$7,982,572</u></u>	<u><u>\$11,627,453</u></u>	<u><u>\$10,375,000</u></u>	<u><u>\$10,375,000</u></u>	<u><u>5.8</u></u>
-----Fiscal 1986-----					
ISSUE: Cost (Savings)		General Fund	Other Funds	-----Fiscal 1987-----	
				General Fund	Other Funds
1. General Fund Match		\$(375,000)	-0-	\$(375,000)	-0-

This program used to pass through federal CETA funds and now passes through federal JTPA funds to The Department of Labor and Industry, state agencies, and non-state organizations that provide training to help individuals enter or re-enter the work force. The program also has \$500,000 general fund under the Build Montana Program and \$250,000 of general fund for displaced homemakers.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
CETA	\$11,373,451	\$7,711,396	\$3,662,055
Displace Workers	155,500	147,749	7,751
Displaced Homemakers	125,000	123,427	1,573
Youth Conservation Corp.	1	-0-	1
Total Expenditures	<u>\$11,653,952</u>	<u>\$7,982,572</u>	<u>\$3,671,380</u>
<u>Funding</u>			
CETA/JTPA	\$11,373,452	\$7,711,396	\$3,662,056
General Fund	280,500	271,176	9,324
Total Funds	<u>\$11,653,952</u>	<u>\$7,982,572</u>	<u>\$3,671,380</u>

In fiscal 1984, federal CETA money ended. JTPA funds were appropriated by the federal government for similar purposes, and the department used them in their budget accordingly.

House Bill 1 of the 1983 session appropriated \$500,000 for the 1985 biennium: (1) to serve as a match for federal Job Training Partnership Act money under the displaced workers provisions; and (2) to supplement economic development activities for new and expanding business as authorized under the Job Training Partnership Act. Of the \$250,000 anticipated to be used for displaced workers in fiscal 1984, \$44,500 was allocated to operating costs of the Department of Labor and Industry and \$147,749 was expended as a grant.

House Bill 400 of the 1983 session appropriated \$250,000 for the 1985 biennium to fund a displaced homemaker program. Of the \$125,000 allocated to fiscal 1984, \$123,427 was expended.

Adjustments to Current Level

Current level is as requested by the agency. This includes \$250,000 of general fund each year for dislocated workers and \$125,000 of general fund each year for displaced homemakers. The remainder of the funds are JTPA. These funds show as benefits and grants; however, many of the grants are given to the Department of Labor and Industry and support personnel in the Job Service Program.

The following table shows total JTPA funds and the labor department's anticipated use of the funds in fiscal 1985.

Table 1
State Fiscal Year 1985 JTPA Spending by the Department of Labor
As of June 22, 1984

<u>JTPA Title</u>	<u>Job Service</u>	<u>Subgrants to Other than DOL</u>	<u>Unobligated Funds</u>	<u>Total</u>
Title IIA Balance of State	\$2,919,508	\$ 772,993	\$ 155,684	\$ 3,848,185
Title IIA Concentrated Employment	1,105,904	172,628	96,412	1,374,944
Title IIB Balance of State	141,655	2,037,647	163,334	2,342,636
Title IIB Concentrated Employment	28,345	407,736	-0-	436,081
Title IIA Governor's 3%	11,732	168,765	-0-	180,497
Title IIA Governor's 5%	300,827	-0-	-0-	300,827
Title IIA Governor's 6%	24,665	115,454	220,874	360,993
Title IIA Governor's 8%	31,286	450,038	-0-	481,324
Title III Dislocated Workers	103,073	354,125	-0-	457,198
Fiscal 1984 Carry Forward			441,739	441,739
Total JTPA Funds--Fiscal 1985	<u>\$4,666,995</u>	<u>\$4,479,386</u>	<u>\$1,078,043</u>	<u>\$10,224,424</u>

The next table shows the agencies who are anticipated to get the JTPA grants which will not be given to the Department of Labor and Industry.

Table 2
JTPA Subgrants - Fiscal 1985

<u>Subgrants</u>	<u>Total Funds</u>
Displaced Homemakers	\$ 299,571
Social and Rehabilitation Services	350,000
Association for Retarded Citizens	17,550
Human Resource Development Councils	2,832,648
Butte/Anaconda Local Development Corp.	40,000
Great Falls Montana Farmers Union	20,000
Balance of State Council	11,676
Concentrated Employment Program Council	4,710
Concentrated Employment Program Council of Comm.	2,262
Job Training Coordinating Council	5,269
Women in Employment Advisory Council	9,000
Other Agencies	248,357
AFL-CIO	76,954
Office of Public Instruction	301,226
Butte School District	81,934
Helena School District	139,730
Commissioner of Higher Education	60,000
Total JTPA Grants not Given to Department of Labor	<u>\$4,500,887*</u>

*Source: Department of Labor and Industry. Does not tie exactly to previous table from department of labor.

Issue 1: General Fund Costs

In the 1983 session, legislators were aware that CETA funds were ending. There was uncertainty about how much JTPA funds would be available and how it could be spent. The Department of Labor and Industry expects approximately \$10 million a year to be available with approximately half of these funds going to assist adults obtain employment. Parts of JTPA funds require a match. According to the department there is at least \$850,000 per year required as match. The majority of this match is provided by employer on-the-job training funds and unemployment insurance wages paid to dislocated workers.

With the ability to obtain the matching funds from the on-the-job training and unemployment insurance fund does the legislature want to continue the general fund for these programs?

Option a: Do not provide any general fund match. This will save general fund of \$375,000 each year of the biennium.

Option b: Continue to provide some general fund match.

UNEMPLOYMENT INSURANCE PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	89.40	90.90	84.90	84.90	(5.8)
Personal Service	\$1,712,651	\$1,827,947	\$1,725,324	\$1,727,733	(2.5)
Operating Expense	427,823	517,519	442,384	447,280	(5.9)
Equipment	20,691	32,100	41,406	41,406	56.8
Inflation	-0-	-0-	13,060	20,948	--
Total Expenditures	<u>\$2,161,165</u>	<u>\$2,377,566</u>	<u>\$2,222,174</u>	<u>\$2,237,367</u>	<u>(1.7)</u>
<u>Fund Sources</u>					
Federal Funds	<u>\$2,161,165</u>	<u>\$2,377,566</u>	<u>\$2,222,174</u>	<u>\$2,237,367</u>	<u>(1.7)</u>

This program is responsible for the administration of state and federal unemployment insurance programs. It collects unemployment insurance taxes and makes benefit claims to eligible recipients. The program also manages the unemployment insurance trust fund. The Unemployment Insurance Program is completely funded by federal unemployment insurance funds.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

The legislature appropriated funds for 90.9 FTE. The department transferred 6 FTE associated with unemployment insurance appeals to the Appeals Division in a re-organization to place all appeals duties in one division. The transfer involved \$161,220 in personal services and \$26,384 in operating expenses. The department budget amended 4.5 FTE to participate in a "Random Audit Program". The purpose of this program is to reduce fraud and overpayments relative to unemployment insurance.

EMPLOYMENT SECURITY DIVISION

Page 10

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	90.90	84.90	6.00
Personal Services	\$1,670,446	\$1,624,928	\$ 45,518
Operating Expenses			
Contract Services	280,284	224,662	55,622
Supplies	32,490	56,518	(24,028)
Communication	40,324	41,248	(924)
Travel	3,689	14,283	(10,594)
Rent	16,388	4,114	12,274
Utilities	25,052	-0-	25,052
Reimbursement	31,149	21,159	9,990
Other	24,764	38,495	(13,731)
Total Operating Expenses	\$ 454,140	\$ 400,479	\$ 53,661
Equipment	5,728	19,664	(13,936)
Total Costs & Federal Revenue	\$2,130,314	\$2,045,071	\$ 85,243
<u>Budget Additions</u>			
Budget Amendments	-0-	\$ 116,094	\$116,094

Current Level Adjustments

All operating expenses associated with the Random Audit Program, totaling \$27,344, were removed from current level.

Computer processing charges within contracted services were raised \$41,488 in fiscal 1986 and \$45,637 in fiscal 1987 due to enhancements in 1984 that more completely automate the system for processing claims. System development of \$8,445 was removed at the agency's request, as were data processing rental charges of \$2,157. A negative balance of \$9,158, contained within supplies and materials in fiscal 1984, has been zero-based. Overhead charges were lowered by \$1,825. Equipment was raised to allow the program to replace obsolete terminals and printers and office equipment. Maintenance contract expenses were correspondingly raised \$1,648.

CENTRALIZED SERVICES DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	121.25	120.50	118.00	118.00	(2.4)
Personal Service	\$2,535,558	\$2,763,937	\$2,777,079	\$2,780,635	4.8
Operating Expense	901,840	1,092,427	981,508	992,306	(1.0)
Equipment	931,161	791,003	55,077	7,543	(96.3)
Inflation	-0-	-0-	59,322	94,889	--
Total Expenditures	<u>\$4,368,559</u>	<u>\$4,647,367</u>	<u>\$3,872,986</u>	<u>\$3,875,373</u>	<u>(14.0)</u>
<u>Fund Sources</u>					
Federal Funds	<u>\$4,368,559</u>	<u>\$4,647,367</u>	<u>\$3,872,986</u>	<u>\$3,875,373</u>	<u>(14.0)</u>

This program provides overall management and support services to the Department of Labor and Industry including legal assistance, personnel hiring and training, data processing, auditing, budgeting, and economic forecasting.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	120.50	121.25	(.5)
Personal Services	\$2,769,559	\$2,496,426	\$273,133
Operating Expenses	1,015,415	889,220	126,195
Equipment	700,399	929,127	(228,728)
Total Costs & Federal Revenue	<u>\$4,485,373</u>	<u>\$4,314,773</u>	<u>\$170,600</u>
<u>Budget Additions</u>			
Budget Amendment	-0-	\$ 53,786	\$ 53,786

One FTE was transferred to the Appeals Division to provide support for the 6 FTE associated with unemployment insurance appeals. A .5 FTE was transferred to the Labor Standards Division to provide clerical support, but no funds were transferred. Equipment was overexpended in the automation of job service offices. Operating expenses and personal services expended \$399,328 less than appropriated. This savings was used to fund the equipment purchases which

were larger than anticipated. Part of the personal services savings was due to the vacancies of 3 FTE during the year.

The budget amendment was to meet additional criteria for unemployment estimates; occupational employment statistics; current industry employment, hours and earnings; and unemployment insurance covered wages and contributions report.

Current Level Adjustments

The three positions that had been vacant all year, two computer programmers and an administrative officer, were removed from current level.

Consulting and professional fees within contributed services were raised from fiscal 1984 levels of \$41,253 to \$95,000 in fiscal 1986 and \$47,000 in fiscal 1987 to update, convert and rewrite statistical programs.

Auditing costs of \$56,700 were added in fiscal 1987. Repairs and maintenance was raised \$16,735 for the purchase of maintenance contracts on existing equipment. The equipment included is for the purchase of computer hardware, general office equipment, and a two-year xerox lease purchase.

Funding

Funding comes from three sources: indirect charges from other divisions of the department, which totaled \$549,988 or 12.5 percent of the total funding of the program in fiscal 1984; direct charges to funding sources, which totaled \$3,764,776 in fiscal 1984; and federal SOICC funds of \$70,000 in fiscal 1986 and fiscal 1987.

DIVISION OF WORKERS' COMPENSATION

	FTE FY '87	- - - - 1987 Biennium - - - - General Fund	Total Funds
Executive Budget	172.00	\$1,397,373	\$15,017,131
LFA Current Level	168.00	1,397,373	14,426,785
Executive Over (Under) LFA	<u>4.00</u>	<u>-0-</u>	<u>\$ 590,346</u>

The increase in general fund by both the executive and current level analysis represents a 7.4 percent decrease from the 1985 biennium. The executive has increased total funding by 11 percent while current level increases total funding by 6.8 percent. The difference in FTE is the result of a modified addition by the executive.

Issue 1: Crime Victims Payment Fund

The executive budget contains \$672,647 in fiscal 1986 and \$728,531 in fiscal 1987 for the Crime Victims Payment Program. This level is \$242,647 over expected revenue to the crime victim's fund in fiscal 1986 and \$296,031 over in fiscal 1987. LFA current level had maintained disbursements equal to additions both years, or \$430,000 in fiscal 1986 and \$432,500 in fiscal 1987.

Issue 2: Claims Examiner

The executive has included the addition of 4 FTE and associated expenses of \$94,466 in fiscal 1986 and \$94,386 in fiscal 1987 to increase the number of claims examiners in the State Insurance Fund Program. This expansion has not been included in current level.

Issue 3: Changes to Agency Request

The executive budget decreases the agency request by \$137,184 in the 1987 biennium. Current level incorporates the agency's requested budget.

DIVISION OF WORKERS' COMPENSATION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	167.50	168.00	168.00	168.00	(.2)
Personal Service	\$3,413,481	\$3,394,110	\$3,548,575	\$3,556,790	4.3
Operating Expense	2,120,511	2,140,801	2,371,678	2,396,596	11.9
Equipment	<u>172,229</u>	<u>37,717</u>	<u>184,642</u>	<u>133,445</u>	<u>51.5</u>
Total Operating Costs	\$5,706,221	\$5,572,628	\$6,104,895	\$6,086,831	8.1
Non-Operating Costs	<u>907,613</u>	<u>1,325,971</u>	<u>1,133,901</u>	<u>1,101,158</u>	<u>.1</u>
Total Expenditures	<u>\$6,613,834</u>	<u>\$6,898,599</u>	<u>\$7,238,796</u>	<u>\$7,187,989</u>	<u>6.8</u>
<u>Fund Sources</u>					
General Fund	\$ 783,743	\$ 725,308	\$ 716,179	\$ 681,194	(7.4)
State Special	5,761,559	6,076,756	6,439,341	6,423,797	8.7
Federal Revenue	<u>68,532</u>	<u>96,535</u>	<u>83,276</u>	<u>82,998</u>	<u>0.7</u>
Total Funds	<u>\$6,613,834</u>	<u>\$6,898,599</u>	<u>\$7,238,796</u>	<u>\$7,187,989</u>	<u>6.8</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Crime Victim's Fund				
Option a:	\$(735,325)	-0-	-0-	-0-
Option b:	-0-	\$162,648	-0-	\$216,531

The Division of Workers' Compensation is responsible for several laws relating to Montana's workers. The division enforces occupational safety laws, provides payment to workers injured on the job, monitors private insurer's adequacy of coverage and payment, and provides payments to innocent victims of crime. It is composed of four programs: Administration, State Compensation Insurance Fund, Insurance Compliance, and Safety and Health.

The Administration Program provides overall management, administration, and support services to the division. Functions include legal and administrative reviews, education, public information, accounting, and data and mail processing.

The State Compensation Insurance Fund Program acts as an insurance company for all employees and workers participating in the State Workers' Compensation Program. It sets rates, enrolls employers, and makes claim payments.

The Insurance Compliance Program catalogues all worker accident reports and monitors private and self-insurers to ensure prompt claim processing and

payment. It also enforces all employer compliance laws. The program also contains the silicosis, social security offset, and crime victim payment programs.

The Safety and Health Program inspects coal, metal and non-metal mining, logging, and public agencies, and inspects and approves boiler operations. The program also conducts training courses in safety and health.

Funding

Funding for the division comes from five sources: general fund, state workers' compensation funds, and federal coal mine safety and study funds. The following table shows each fund source, what it funds, and anticipated expenditures in fiscal 1986 and 1987.

Table 3
Funds Sources--Workers' Compensation

<u>Fund Source</u>	<u>Program</u>	<u>1986</u>	<u>1987</u>
General Fund	Silicosis Payments	\$ 115,600	\$ 580,800
General Fund	Social Security Offsets	62,301	87,858
General Fund	Administration, Insurance Compliance Program	12,278	12,536
Coal Mine Safety	Safety and Health Program	37,293	36,897
Federal Study	Administration Program	45,983	46,101
Crime Victims	Crime Victims Payments	347,733	342,196
Crime Victims	Crime Victims Administration	82,267	90,304
Workers' Compensation	All Remaining Programs	6,009,341	5,991,297
Total		<u>\$7,238,796</u>	<u>\$7,187,989</u>

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The table on the following page compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

The division did not fully utilize their budgeted travel. Transfers are bond payments on the workers' compensation building. The appropriated level was based on anticipated payment schedules, which were subsequently changed by the Department of Administration. Payments due in fiscal 1986 total \$434,463 and in fiscal 1987, \$433,100. The division is requesting these payments be made from accumulated interest earnings in the construction account. The crime victim fund was in an agency fund rather than a state special revenue fund in fiscal 1984 and 1985. Therefore, expenditures for the Crime Victims Program did not have an appropriation as required by law.

DIVISION OF WORKERS' COMPENSATION

Page 3

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	167.50	167.50	0.00
Personal Services	\$3,387,592	\$3,413,481	\$(25,889)
Contract Services	1,457,824	1,423,957	33,867
Supplies & Material	100,767	93,742	7,025
Communication	231,913	215,171	16,742
Travel	293,369	130,989	162,380
Rent	159,781	111,820	47,961
Utilities	18,441	24,526	(6,085)
Repair & Maintenance	61,398	46,381	15,017
Other Expenses	42,571	73,925	(31,354)
Total Operating Expenses	\$2,366,064	\$2,120,511	\$245,553
Equipment	\$ 210,249	\$ 172,229	\$ 38,020
Social Security Offsets	95,000	84,825	10,175
Silicosis Benefits	693,600	686,900	6,700
Transfers	643,805	135,888	507,917
Total Costs	<u>\$7,396,310</u>	<u>\$6,613,834</u>	<u>\$782,476</u>
<u>Funding</u>			
General Fund	\$ 800,060	\$ 783,743	\$ 16,317
State Special Revenue	6,501,492	5,761,559	739,933
Federal Revenue	94,758	68,532	26,226
Total Funds	<u>\$7,396,310</u>	<u>\$6,613,834</u>	<u>\$782,476</u>
<u>Budget Addition</u>			
Crime Victims	-0-	\$ 431,260	\$431,260

Current Level Adjustments

Current level operating expenses have been funded at the agency request. The legislature has historically felt that this agency was doing a commendable job and that requests for funding have been reasonable. Vacancy savings of 4 percent was taken.

Grants include silicosis, social security offset, and crime victim payments. Silicosis and social security offset payments have been funded per the agency request.

Silicosis Payments

In 1983, the Montana legislature enacted the Silicosis Law to provide benefits

to victims of silicosis, a chronic lung disease. Current payments are made to those persons who contracted the disease on the job prior to July 1, 1959. In 1974, legislation was passed to provide payments to widows of silicotics. The following table shows silicotic payment recipients by age, through fiscal 1983.

Table 1
Silicosis Claimants, by Age

<u>Age</u>	<u>Claimants*</u>
55-60	2
61-65	19
66-70	30
71-75	38
76-80	54
81-85	39
86+	<u>20</u>
Total Claimants	<u><u>202</u></u>

*Does not include widows.

The eldest recipient in 1983 was 95 years old. The youngest recipient of benefits was a 35-year old widow.

The following table shows silicosis payments by type of case and total cost.

Table 2
Silicosis Cases, Payment Levels, and Cost

<u>Fiscal Year</u>	<u>- - - Cases</u>	<u>- - -</u>	<u>-Monthly Payments-</u>		<u>Total Cost</u>
	<u>Silicotic</u>	<u>Widow</u>	<u>Silicotic</u>	<u>Widow</u>	
1984 Actual	198	166	\$200	\$100	\$686,900
1985 Projected	190	163	200	100	651,000
1986 Projected	180	153	200	100	615,600
1987 Projected	171	142	200	100	580,800

Social Security Offset Payments

The legislature enacted a law, beginning in July 1973, stating that all workers' compensation benefits paid to surviving spouses and dependents of workers' killed on-the-job would be offset 100 percent by any social security

payments made for the same purpose. As a result, insurance premiums were lowered to reflect the lower future pay out.

In April 1974, the law was changed from a 100 percent to a 50 percent offset. Those who were affected by the previous law were then entitled to a higher benefit payment. However, the insurance companies successfully protested that premiums had been low and they could not make the necessary payments. As a result, the state makes payments to those persons who were affected by the previous law.

Currently, the spouses and dependents of 17 workers participate in the program. Spouses are eligible for payment until death or remarriage. Dependents are eligible until age 22.

Anticipated costs of the program in the 1987 biennium, which includes a 6 percent cost of living adjustment, are \$88,301 in fiscal 1986 and \$87,858 in fiscal 1987.

Issue 1: Crime Victims Fund

The Crime Victim Compensation Program was established by the Montana legislature to provide a method of compensating and assisting those persons within the state who are innocent victims of criminal acts and who suffer bodily injury or death. To this end, it is the legislature's intention to provide compensation for injuries suffered as a direct result of the criminal acts of other persons.

Claimants receiving benefits under this part are not granted an absolute entitlement to benefits. Benefits must be paid in accordance with the amount of the legislative appropriation. If the division determines at any time that the appropriated funds for a fiscal year will not be an amount that will fully pay all claims, the division may make appropriate proportionate reductions in benefits to all claimants. Such reductions do not entitle claimants to future retroactive reimbursements in future fiscal years unless the legislature makes appropriations for such retroactive benefits.

Moneys for the crime victims compensation account are obtained from 18 percent of fines assessed and bails forfeited on all offenses that are a result of citations or tickets issued by the Highway Patrol. The following table shows the revenue collected, the disbursements made, and the fiscal year-end fund balance.

Table 3
Crime Victims Funds--Revenue and Disbursements

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Disbursements</u>	<u>Net Operations</u>	<u>Fund Balance</u>
1978	\$220,097	\$18,344	\$201,753	\$201,753
1979	250,925	116,491	134,434	336,187
1980	293,711	169,772	123,939	460,126
1981	370,833	321,559	49,274	509,400
1982	390,251	329,247	61,004	570,404
1983	500,555	431,260**	92,719	663,124
1984	469,823	397,622	72,201	735,325
- - - - - PROJECTED - - - - -				
1985	507,500	616,762	(109,262)	626,063
1986	430,000*	672,648	(242,648)	383,415
1987	432,500*	728,531	(296,031)	87,384

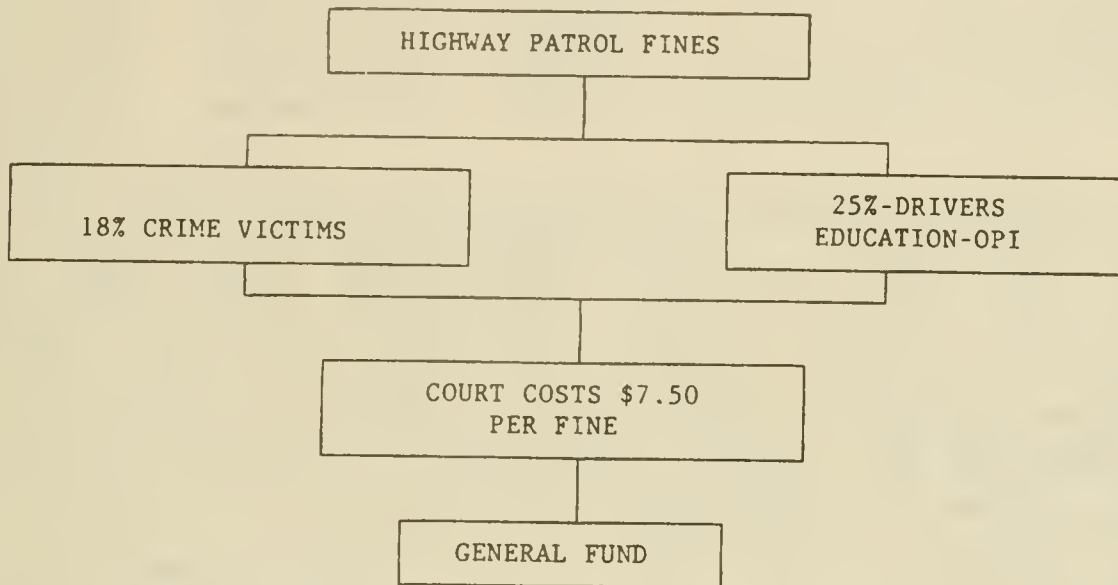
*According to the Accounting Division, beginning in 1986, interest earned on the crime victims fund will be deposited to the general fund in compliance with 17-6-202(2), MCA.

**Accounting records show a \$23,424 adjustment.

Revenue was exceeding the expenditures through fiscal 1984. In fiscal 1985, the division estimated that they would pay out \$109,262 more than the yearly revenue. However, the department's estimate of the fiscal 1985 payments is \$219,140 more than expended in fiscal 1984 or a 55 percent increase between the two years. In fiscal 1986 and 1987, the department is requesting to use the fund balance for the program, resulting in disbursements becoming larger than the on-going revenue base. If these funds were not earmarked for crime victims, the highway patrol fines would be deposited into the general fund.

Highway Patrol fines are distributed as shown in Figure 1. Funds remaining after the crime victims and driver education distributions go to the general fund.

Figure 1
Distribution of Highway Patrol Fines



The major issue to consider is should the program size be expanded beyond the revenue base; and if not, should the fund balance which built up as the program started be deposited in the general fund.

Option a: Require the fund balance at fiscal year-end 1984 to revert to the general fund. This would be a general fund deposit of \$735,325.

Option a1: Appropriate the amount anticipated as revenue for each year. This is in the current level budget at \$430,000 in fiscal 1986 and \$432,500 in fiscal 1987.

Option b: Appropriate the requested amount which is \$242,648 in fiscal 1986 and \$296,031 in fiscal 1987 more than the estimated revenue.

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

		-----1987 Biennium-----	
	FTE FY '87	General Fund	Total Funds
Executive Budget	1,161.12	\$159,991,593	\$489,369,729
LFA Current Level	1,037.82	143,271,139	445,236,044
Executive Over (Under) LFA	<u>123.30</u>	<u>\$ 16,720,454</u>	<u>\$ 44,133,677</u>

For the 1987 biennium, the executive request includes a 22.7 percent or \$90.6 million increase over the fiscal 1985 biennium expenditure level. The current level analysis includes a 10.6 percent increase or \$42.8 million. Under the executive request, the general fund increase between the fiscal 1985 biennium and the 1987 biennium is 18.2 percent (\$24.7 million), while the current level includes a 6.2 percent increase in general fund (\$8.4 million).

During the 1987 biennium, the match rate for federal funds increases significantly over the average rate of 64.41 during the 1985 biennium. The federal match rate for fiscal 1986 is 65.84 and 66.38 for fiscal 1987. The reduced amount of general fund necessary to match federal programs results in a shift of costs from state to federal funds. For AFDC and medicaid, which are the two largest federally funded programs in the department, the change in funding ratio results in a net savings to the general fund of approximately \$5 million over the fiscal 1987 biennium under the executive request and \$4.7 million under the current level analysis.

Differences between the executive budget and current level include a higher AFDC caseload in the executive budget that results in \$7 million of additional costs; \$10 million included in the executive budget for changes in federal regulations governing medicaid eligibility; and \$18 million for expansion of services to the developmentally disabled, home and community based services for the elderly, and new and expanded services in vocational rehabilitation.

The executive has requested 123.30 more FTE than are in the current level analysis. Fifty-four of the additional FTE are social worker positions to reduce the social workers caseload in the Community Services Program, and 36 additional FTE have been requested in the Eligibility Determination Program as part of a five year expansion program that would ultimately increase the eligibility technician staff by 92.

The following is a brief description of the major issues and differences between the current level analysis and the executive budget report.

ASSISTANCE PAYMENTS

Issue 1: Low Income Energy Assistance Program (LIEAP)

During the 1987 biennium, the executive budget is \$800,000 over the current level analysis for LIEAP benefits. To maintain LIEAP expenditures within available grant and carryover funds, the current level analysis includes a 5 percent reduction in the level of funding for fuel assistance and weatherization grants.

The executive request includes \$795,755 of additional general fund during fiscal 1987 to reduce the 10 percent transfer of LIEAP funds to the developmentally disabled program. This would allow a higher level of LIEAP benefits to be maintained in the Assistance Payments Program than if the full 10 percent transfer were required. These additional funds in the executive request are in contrast to statements made by SRS that the level of funding established during fiscal 1984 would not require additional general fund.

Issue 2: General Assistance

The executive budget is \$1.1 million higher than the current level analysis for state assumed general assistance payments. This difference is primarily caused by a higher caseload projection contained in the executive request by the department. The current level analysis includes an average monthly caseload of 1,238 for fiscal 1986 and 1,300 in fiscal 1987. The executive estimate is 1,432 in fiscal 1986 and 1,564 in fiscal 1987.

Issue 3: AFDC

The \$7.4 million requested by the executive above the current level analysis for AFDC benefits is primarily caused by three factors. (1) The AFDC caseload projected by the executive is 7,467 in fiscal 1986 and 7,867 in fiscal 1987. Using the department's methodology for projecting AFDC caseload but including more current data, the current level includes a caseload of 7,365 in fiscal 1986 and 7,485 in fiscal 1987. (2) Differences in the methodology used to establish the estimated payment level. (3) The executive includes 146 additional AFDC cases as a result of the changes in federal eligibility regulations. Because there is no accurate method for estimating the impact of the eligibility changes, current level does not include these additional cases but includes an option to establish a contingency fund for the potential additional caseload.

SOCIAL SERVICES

Issue 4: Additional FTE

The executive includes the addition of 54 FTE in the Social Services Program during fiscal 1987. These additional FTE are social worker positions requested by SRS to reduce social worker caseloads. The additional cost of the positions is \$2 million.

Issue 5: Foster Care

The executive request for foster care is \$1.8 million over the current level analysis. The difference is due to a combination of: (1) the executive request increasing the number of services and cost per service for all foster care programs; (2) the current level reducing the out of state placements by 10 children that may be placed in the new Montana Youth Treatment Center; and (3) the executive including \$797,681 for increased payments to foster families.

Issue 6: Supplemental Security Income

The executive request for Supplemental Security Income (SSI) is \$327,275 over the current level analysis principally because current level does not anticipate growth in the SSI caseload during the 1987 biennium. According to the department, previous caseload increases resulted from expansion of developmental disability and other community based services for the elderly. The current level does not include expansion of these community services and therefore, holds the SSI caseload constant through the biennium.

ELIGIBILITY DETERMINATION

Issue 7: Increased Eligibility Technicians

The \$910,000 difference between the current level analysis and the executive budget is the result of the executive budget including 36 additional eligibility technician FTE during the 1987 biennium. The additional FTE are the first phase of a five year plan to increase the total eligibility technician staff by 92 FTE. The additional staffing requested by the executive is based on a staffing plan developed for the state of Washington. The current level has maintained the fiscal 1984 staffing level.

MEDICAL ASSISTANCE

Issue 8: Additional FTE

The executive request includes 16 additional FTE. Two positions are involved in audit and program compliance, 5 FTE would be used to develop a medicaid reimbursement system, and 9 FTE are associated with expansion of home and community based services for the elderly. Total additional personal service costs are \$652,687.

Issue 9: Medicaid Management Information System

The executive request includes \$1.2 million to complete the Medicaid Management Information System (MMIS). During the 1983 session, SRS requested and received \$1 million to design, develop and implement a new Medicaid Management Information System (MMIS). However, the department underestimated the cost to transfer the system from the current private contractor, Hancock, Dikewood, to the state's own computer system. In September 1984, SRS signed a \$3.1 million contract with Consultec, Inc. to develop the new system over a three-year period. The department is requesting a supplemental appropriation for \$1 million in fiscal 1985 in addition to the \$1.2 million for fiscal 1986 to complete the MMIS system.

Issue 10: Home and Community Based Services

During the 1985 biennium, SRS developed a new program to provide home and community based care for the elderly. In their proposal to the legislature, the department stated that these new services would be an alternative to institutional or nursing home care and thus reduce long-term care costs. The executive request includes \$6.9 million to expand than services during the 1987 biennium.

Issue 11: Medicaid Other

The executive request for the medicaid other program is \$9 million over the current level analysis. As shown in Table 1, the executive used a higher AFDC caseload than current level;

Table 1
Comparison of Executive and Current Level AFDC Caseload

	<u>Executive</u>	<u>Current Level</u>	<u>Difference</u>
Fiscal 1986	7,467	7,365	102
Fiscal 1987	7,867	7,485	382

The executive budget includes the full estimated cost of changes in federal regulation regarding client eligibility: these changes include an increase in the gross monthly income standard from 150 percent to 185 percent of the need standard; the state must now provide nine months extension of medicaid coverage to recipients who lose AFDC eligibility due to excess earned income; and states must provide medicaid coverage to first-time pregnant women and needy children up to age five in two part families. The following is the executive's estimate of the biennium impact of these changes.

Table 2
Fiscal Impact of Eligibility Changes Included in Executive Request

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Total</u>
185 percent standard	\$ 300,000	\$ 300,000	\$ 600,000
9-month extention	3,477,000	3,616,000	7,093,000
Children and Pregnant Women	<u>1,414,000</u>	<u>1,637,000</u>	<u>3,051,000</u>
Total	<u>\$5,191,000</u>	<u>\$5,553,000</u>	<u>\$10,744,000</u>

Because there is no accurate method to project the costs associated with these changes, the current level budget does not include funds for the change but does provide an option to establish a contingency fund restricted in use to medicaid cost associated with the new regulations.

Issue 12: Medicaid-Nursing Home

The executive budget includes \$3.4 million more for nursing home care than the current level analysis. This difference is due to the projection of total care days provided. SRS estimated 1,320,154 care days per year of the fiscal 1987 biennium. The current level is based on 1,266,311 care days per

year. Due to differences in inflation factors, the current level analysis includes a slightly higher cost per patient day.

Table 3
Comparison of Executive and Current Level Nursing Home Reimbursement

	- - - Executive - - -		- - -Current Level - - -	
	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Per Day Cost	\$44.86	\$46.55	\$44.86	\$46.55
Patient Contribution	<u>11.33</u>	<u>11.78</u>	<u>11.19</u>	<u>11.75</u>
State Cost Per Day	\$33.53	\$34.77	\$33.67	\$34.80
Number of Care Days	<u>1,210,154</u>	<u>1,320,154</u>	<u>1,266,311</u>	<u>1,766,311</u>
Nursing Home Cost	<u>\$44,264,943</u>	<u>\$45,901,941</u>	<u>\$42,636,691</u>	<u>\$44,067,623</u>

VOCATIONAL REHABILITATION

Issue 13: Service Expansion

The executive request includes \$1.2 million to expand services. \$200,000 of this amount is to expand services to the severely disabled by providing sheltered employment. Approximately \$1 million of additional general fund and federal funds is requested to support programs that are currently funded through workers' compensation funds.

Issue 14: New Services

The executive request includes \$569,999 to establish programs for persons who are not currently eligible for federally funded vocational rehabilitation programs. Disabilities that would be included in this program are head injured, spinal cord injured, respiratory disorders, multiple sclerosis, and muscular dystrophy. The request is entirely general fund.

DEVELOPMENTAL DISABILITIES

Issue 15: Current Level Benefits

Current level analysis used the fiscal 1984 actual units of service status multiplied times the fiscal 1985 contracted service costs. These costs were the inflated at 4.5 and 5 percent for fiscal 1986 and fiscal 1987. The executive

request used the fiscal 1985 units of service and fiscal 1985 contracted costs and then inflated 4 percent per year. This difference in methodology results in the executive request for current level benefits being \$1.5 million higher than the current level analysis and includes additional services not anticipated by the 1983 legislature.

Issue 16: Expansion of Services

The executive request includes \$3.4 million for expansion of services. The majority of these funds are to provide services to an additional 285 developmentally disabled who are on the waiting list for services. Approximately, \$300,000 would be used to expand specialized foster care and to increase services to clients with intensive training needs.

Issue 17: House Bill 909

The executive request includes \$1.9 million for implementation of recommendations contained in House Bill 909 regarding the reduction in the population of Boulder River School and Hospital. These funds would be used to transfer 52 individuals from Boulder to new specialized community based programs. Included in the request are 10 additional FTE who would be involved in client assessment, standards development, and various administrative tasks.

Issue 18: Funding

The current level analysis has included all Social Services Block Grant Funds for the department in the Developmental Disabilities Program. Because of the flexibility in use of the block grant, these funds may be considered as similar to general fund in terms of allocation. During fiscal 1984, SRS used Social Service Block Grant funds for administration and/or benefits in six different programs. To simplify accounting procedures and to provide a clear track of block grant expenditures, the current level budget has consolidated all Social Service Block Grant Funds in the Developmental Disabilities Program.

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	1043.12	1039.82	1037.82	1037.82	77.1
Personal Service	\$ 22,301,459	\$ 22,276,064	\$ 23,139,278	\$ 23,181,065	3.9
Operating Expense	7,789,238	8,256,066	7,776,274	7,697,802	(3.5)
Equipment	359,997	17,755	137,504	72,845	(44.3)
Inflation	-0-	-0-	489,119	822,711	--
Total Operating Costs	\$ 30,450,694	\$ 30,549,885	\$ 31,542,175	\$ 31,774,423	3.7
Non-Operating Costs	169,844,250	171,582,154	186,478,736	195,440,710	11.8
Total Expenditures	<u>\$200,294,944</u>	<u>\$202,132,039</u>	<u>\$218,020,911</u>	<u>\$227,215,133</u>	<u>10.6</u>
Fund Sources					
General Fund	\$ 67,288,558	\$ 67,565,448	\$ 69,690,618	\$ 73,580,521	6.2
State Special	6,067,454	6,950,778	6,765,447	6,801,880	4.2
Federal Revenue	<u>126,938,932</u>	<u>127,615,813</u>	<u>141,564,846</u>	<u>146,832,732</u>	<u>13.2</u>
Total Funds	<u>\$200,294,944</u>	<u>\$202,132,039</u>	<u>\$218,020,911</u>	<u>\$227,215,133</u>	<u>10.6</u>

The Department of Social and Rehabilitation Services administers programs in the area of human services. Services include assistance payments to recipients of the Aid to Families with Dependent Children Program, foster home services, medicaid and other benefits to the aged and indigent, rehabilitation services for the vocationally and visually handicapped, and community-based placement services for the state's developmentally disabled.

As may be noted from the above table, the increase between the fiscal 1985 biennium and the current level analysis for the fiscal 1987 biennium is primarily in non-operating costs which are grants and benefits. Changes in the methodology for calculating medicaid and AFDC payments accounts for the major portion of these increases.

Although there is an overall increase of 10.2 percent between the fiscal 1985 biennium and the current level analysis, general fund increases only 6.2 percent while state special revenue will increase 4.2 percent and federal revenue 13.2 percent. State special revenue included in the current level analysis is almost entirely mill levy in support of state assumption of county welfare programs. The increase in federal funds is partially the result of a change in the state/federal match rate for federal funds. During the 1985 biennium, the federal match rate averaged 64.41 percent federal funds and will become 65.89 in

fiscal 1986 and 66.38 in fiscal 1987. Because a major portion of the funding of the department's programs comes from federal sources, this increase in the federal match rate will shift a portion of the costs of these programs from state to federal sources.

There are three major issues which impact more than one program and will affect the department's financial operation during the 1987 biennium: (1) the state's assumption of 12 county welfare programs, (2) excessive spending authority, and (3) employee reclassification and upgrades which were not anticipated by the legislature.

County Assumption Costs

House Bill 798 enacted by the 1983 legislature, allows county governing boards to request state assumption of their county welfare program. Assumption by the state transfers all powers, duties, personnel, and public assistance and protective services provided by the county for their welfare program to the state. Assumed counties are required to levy a 12 mill tax in support of welfare programs and transfer these revenues to the state.

In fiscal 1984, eleven counties opted for state assumption. As shown in Table 1, SRS's budget for county assumption at the beginning of fiscal 1984 includes a 7.3 percent increase over fiscal 1983. However, actual fiscal 1984 expenditures increased 13.3 percent or \$3.3 million above fiscal 1983 expenditures.

Table 1
Comparison of Cost Increases from Fiscal 1983 to Fiscal 1984
for State Assumed Counties

<u>SRS Estimate of Fiscal 1983 County Expense</u>	<u>SRS Budget Estimate for FY 1984</u>	<u>% Change</u>	<u>Expenditure FY 1984</u>	<u>% Change FY 83- 84</u>
\$24,687,562	\$26,479,975	7.3	\$27,964,150	13.3

Table 2 shows the fiscal 1984 expenditures for the 11 assumed counties and the portion of the budget that would have been paid by the county prior to assumption. As shown in Table 2, the percent of the total budget which was previously county participation varies by budget category.

Table 2
County Portion of Total Budget
Fiscal 1984

<u>Budget Category</u>	<u>Total Budget</u>	<u>Percent County¹</u>	<u>County Expenditures</u>
Personal Services	\$ 6,101,530	42	\$ 2,529,243
Operating Expenses	1,344,736	47	637,577
Equipment	203,072	54	109,132
Benefits and Claims:			
General Assistance	2,122,008	100	2,122,008
Emergency Assistance	11,797	100	11,797
State Medical Assistance	2,965,183	100	2,965,183
AFDC	13,368,154	9	1,176,041
Foster Care - AFDC	726,820	19	137,178
Foster Care - Child Welfare	<u>1,120,850</u>	59	<u>657,050</u>
Total	<u>\$27,964,150</u>	37	\$10,345,209
Indirect Costs			<u>\$ 308,335</u>
Total County Portion of Budget	<u>\$27,964,150</u>	<u>38</u>	<u>\$10,653,544</u>

¹The county share of personal services is a weighted percentage developed by SRS as county participation in personnel costs has varying match rates for different positions.

For the 1985 biennium, the 1983 legislature authorized \$8 million in general fund plus the millage revenue for the added state cost of the county assumption program. Table 3 shows the state assumption costs as they were originally budgeted for fiscal 1984, the actual fiscal 1984 costs, and the 1987 biennium request.

Table 3
Fiscal 1984 State Assumption Costs Budgeted, Actual, and
1987 Biennium Request

<u>Budget Category</u>	<u>Budgeted Fiscal 1984</u>	<u>Actual Fiscal 1984</u>	<u>Requested¹ Fiscal 1986</u>	<u>Requested¹ Fiscal 1987</u>
Personal Services	\$2,481,907	\$ 2,529,243	\$ 2,770,809	\$ 2,775,165
Operating Expenses	648,462	637,577	717,711	692,361
Equipment	90,002	109,132	21,945	-0-
Benefits and Claims:				
General Assistance	\$1,735,148	2,122,008	2,662,836	3,018,281
Emergency Assistance	32,400	11,797	31,267	34,394
State Medical Assistance	2,491,719	2,965,183	3,802,796	4,183,831
AFDC	987,902	1,176,041	1,119,125	1,227,171
Foster Care - AFDC	145,374	137,178	151,025	155,170
Foster Care - Child Welfare	<u>590,309</u>	<u>657,050</u>	<u>723,690</u>	<u>754,386</u>
	\$9,203,223	\$10,345,209	\$12,001,204	\$12,840,759
Indirect Costs	<u>202,107</u>	<u>308,325</u>	<u>320,668</u>	<u>320,668</u>
	<u>\$9,405,330</u>	<u>\$10,653,534</u>	<u>\$12,321,872</u>	<u>\$13,161,427</u>

¹Includes Powell County

In fiscal 1984, the actual cost of county assumption was \$1,248,214 more than had originally been anticipated. In the 1987 biennium, the growth in the mill levy revenue is less than inflation and program growth; therefore, the general fund pays a greater portion of the budget. Table 4 shows the total cost of what was previously county funds, the millage revenue, and the general fund cost of county assumption. House Bill 798 appropriated \$8 million general fund for the 1985 biennium for county assumption and it will cost at the current analysis level \$13 million for the 1987 biennium, a 62 percent general fund growth.

Table 4
General Fund and Millage Revenue Cost of County Assumption

	Actual Fiscal 1984	Available Funds Fiscal 1985 ²	- - - SRS Requested - - - Fiscal 1986	Fiscal 1987
Total Cost	\$10,653,544	\$9,122,992	\$12,321,872	\$13,161,427
Millage Revenue	<u>5,561,556</u>	<u>6,214,980</u>	<u>6,247,800</u>	<u>6,247,800</u>
General Fund Cost	<u>\$ 5,091,988</u>	<u>\$2,908,012</u>	<u>\$ 6,074,072</u>	<u>\$ 6,913,627</u>

¹Millage estimated by SRS these estimates are included in the executive budget and current level analysis.

²The agency will need to request a supplemental to increases available funds.

Excess Spending Authority

SRS was appropriated \$9.6 million for county assumption. This includes approximately \$4 million general fund and \$5.6 million of millage revenue per year. Section 18 of House Bill 798 from the 1983 session reads:

Section 18. Appropriation. To carry out the purposes of this act, the following is appropriated to the department of social and rehabilitation services for the biennium ending June 30, 1985:

- (1) \$8 million from the general fund; and
- (2) all revenues accruing under the provisions of [section 7] of this act.

SRS already had spending authority for all county costs except operating expenses of \$690,000, general assistance of \$1,735,148, emergency assistance of \$32,400, and state medical of \$2,491,710 or approximately \$5 million.

Total costs were expected to be \$9.4 million. If SRS had authority for all but \$5 million, the spending authority needed was \$4.4 million. However, through House Bill 798 SRS was given \$9.6 or \$5.2 million in excess spending authority.

The department used this authority to expend additional federal funds for programs such as, Solar bank, increased weatherization, cheese processing, emergency food assistance, job search without budget amendments. Programs added in fiscal 1984 through this extra spending authority are not considered as part of current level. Only programs reviewed by the 1983 legislature are continued as current level.

In future bienniums, when a county opts for assumption, the only spending authority needed for the Department of Social and Rehabilitation Services is operating costs excluding travel, general assistance, emergency assistance, and medical assistance.

Position Upgrades and Reclassifications

The following table shows by program the fiscal impact of position upgrades and reclassification that were not anticipated by the legislature.

Table 5
Fiscal Impact of Position Upgrades and Reclassifications

<u>Program</u>	<u>Total FTE</u>	<u>Personal Service Budget</u>	<u>Upgrades</u>	<u>Percent of Budget</u>
Assistance Payments	46.75	1,161,089	61,170	5.21
Social Services	373.89	7,892,706	227,813	3.00
Eligibility Determination	318.61	6,207,118	14,876	0.20
Administrative Support	83.50	1,999,992	6,459	0.30
Medical Assistance	12.99	375,020	13,710	3.70
Audit Program	40.00	934,218	-0-	-0-
Vocational Rehabilitation	68.85	1,468,931	22,360	1.61
Disability Determination	41.13	970,817	7,485	.07
Visual Services	21.65	475,790	(5,757)	(1.42)
Developmental Disabilities	30.25	775,486	24,495	3.24
Devel. Dis. Advisory Council	2.00	46,449	-0-	-0-
Total	<u>1039.62</u>	<u>\$22,307,616</u>	<u>372,611</u>	<u>1.67</u>

When included in calculation of the current level budget for the 1987 biennium, the upgrades and reclassifications inflate the department's personal service base by 1.67 percent above what was originally intended by the legislature. In the 1987 biennium, the cost of the upgrades will be approximately \$775,000 before pay plan increases are added.

ASSISTANCE PAYMENT PROGRAM

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	47.50	47.50	47.50	47.50	0.00
Personal Service	\$ 1,186,899	\$ 1,159,295	\$ 1,255,173	\$ 1,257,454	7.0
Operating Expense	1,578,477	1,329,485	1,557,431	1,557,431	7.1
Equipment	47,122	1,815	8,616	8,616	(64.7)
Inflation	-0-	-0-	102,353	172,248	--
Total Operating Costs	\$ 2,812,498	\$ 2,490,595	\$ 2,923,573	\$ 2,995,749	11.6
Non-Operating Costs	45,043,153	42,820,472	45,962,761	48,284,420	7.3
Total Expenditures	<u>\$47,855,651</u>	<u>\$45,311,067</u>	<u>\$48,886,334</u>	<u>\$51,280,169</u>	<u>7.5</u>
<u>Fund Sources</u>					
General Fund	\$10,316,431	\$10,242,449	\$11,876,905	\$12,675,921	19.4
State Special	1,607,850	1,858,991	1,819,642	1,819,642	4.9
Federal Revenue	<u>35,931,370</u>	<u>33,209,627</u>	<u>35,189,787</u>	<u>36,784,606</u>	<u>4.0</u>
Total Funds	<u>\$47,855,651</u>	<u>\$45,311,067</u>	<u>\$48,886,334</u>	<u>\$51,280,169</u>	<u>7.5</u>

<u>ISSUE: Cost (Savings)</u>	-----Fiscal 1986-----		-----Fiscal 1987-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. AFDC Payment Standards				
Option a: 47% of Poverty Index	\$ (683,721)	\$(1,320,737)	\$ (704,810)	\$(1,391,589)
Option b: 55% of Poverty Index	\$ 750,646	\$ 1,450,016	\$ 805,971	\$ 1,591,325
2. LIEAP Transfer	\$1,229,769	-0-	\$1,229,769	-0-
3. DEFRA Caseload	\$ 194,993	\$ 376,667	\$ 217,337	\$ 429,116

The Assistance Payment Program is administered through the Economic Assistance Division and includes Aid to Families with Dependent Children (AFDC), Day Care Services, Food Stamp and Commodities Programs, Non-resident General Assistance, the Low Income Energy Assistance Program (LIEAP), the Community Service Block Grants, the Weatherization Program, and State Administered General Assistance.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Page 8

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	46.75	47.50	(.75)
Personal Services	\$ 1,161,089	\$ 1,186,899	\$ (25,810)
Operating Expenses	1,253,820	1,278,421	(24,601)
Equipment	<u>1,750</u>	<u>47,122</u>	<u>(45,372)</u>
Total Operating Costs	\$ 2,416,659	\$ 2,512,442	\$ (95,783)
Non-Operating Costs	<u>41,720,983</u>	<u>43,058,270</u>	<u>(1,337,287)</u>
Total Expenditures	<u>\$44,137,642</u>	<u>\$45,570,712</u>	<u>\$(1,433,070)</u>
<u>Funding</u>			
General Fund	\$ 9,581,211	\$10,316,431	\$ (735,220)
Federal Revenue	33,862,752	33,646,431	216,321
Other	<u>693,679</u>	<u>1,607,850</u>	<u>(914,171)</u>
Total Funds	<u>\$44,137,642</u>	<u>\$45,570,712</u>	<u>\$(1,433,070)</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 2,284,939	\$(2,284,939)

The \$25,810 overexpenditure in personal services is primarily the result of position upgrades and reclassification within the program that were not anticipated or considered by the legislature. The total cost of these reclassifications was \$61,170. The additional .75 FTE is the net result of the transfer of clerical staff between the Vocational Rehabilitation Program and the Assistance Payments Program. The adjustments were made to realign positions within the department according to actual functions performed. Staff turnover did generate vacancy savings that partially offset the additional cost of reclassification and the additional .75 FTE, but still resulted in a net \$25,810 overexpenditure of personal services.

Overexpenditure in operating expenses is primarily the result of a \$240,000 accounting adjustment between the Assistance Payments Program and the Medical Assistance Program. Had the transfer not been made, the Assistance Payments Program would show a \$215,399 surplus for operation expenses.

The program purchased \$39,828 in office equipment, and \$7,294 of data processing equipment that had not been authorized by the legislature.

The following table compares the benefit expenditures as anticipated by the legislature versus the actual benefits paid.

Table 6
Comparison of Legislative Anticipated Benefits Versus Actual Benefits

Budget Item	Legislature	Actual	Difference
AFDC	\$25,097,292	\$25,253,200	\$ (155,908)
AFDC-Contingency	1,175,928	1,175,928	-0-
LIEAP	10,332,892	11,999,113	(1,666,221)
General Assistance	1,735,148	2,179,346	(444,198)
Weatherization	1,281,006	2,063,583	(782,577)
Community Sev Blk Grant	1,121,491	1,230,126	(108,635)
Day Care	540,736	428,745	111,991
Training	150,000	162,205	(12,205)
Non Res. Gen. Assistance	50,000	18,475	31,525
Food Stamps	29,090	24,345	4,745
Transient Assistance	32,400	11,796	20,604
Food Distribution	150,000	236,229	(86,229)
Job Search	-0-	170,625	(170,625)
Food Network Grants	25,000	24,641	359
Solar Bank	-0-	64,796	(64,796)
Total	<u>\$41,720,983</u>	<u>\$45,043,153</u>	<u>\$ (3,322,170)</u>

The major overexpenditures for benefits occurred in LIEAP, state assumption, weatherization, and Community Services Block Grant. Overexpenditures for LIEAP resulted from the federal fiscal 1984 grant exceeding the amount originally anticipated by the legislature and drawing down the carryover balance. Although the department received budget amendment authority to expend these additional funds, and stated that such expenditures would not result in a commitment of present or future general fund, the expenditure rate established with these additional funds can not be maintained through the 1987 biennium without additional general fund support.

During the 1983 session, House Bill 798 allowed the state to assume responsibility for county welfare programs in counties that opted for state assumption of their program. The Assistance Payment Program includes the costs of the general assistance payments that were formerly a county responsibility in the eleven counties that opted for state assumption during fiscal 1984. The \$424,198 overexpenditure for general assistance is the result of a higher than anticipated caseload and a lawsuit brought by low income groups claiming the payment standards established by the state were too low to meet even basic needs. Prior to the lawsuit, the general assistance payment level was set

according to the payment level that was in effect in each county before state assumption. In several counties this payment level was lower than the maximum allowed under state law. The court ruled against SRS and required that SRS pay all counties at the same maximum rate. Between fiscal 1983 and 1984, the monthly average caseload increased 16 percent for all assumed counties. Because the appropriation under House Bill 798 is a biennial appropriation, funds were available during fiscal 1984 to cover the overexpenditure.

The \$108,635 overexpenditure of Community Block Grant funds was made to increase grants to Human Resource Development Councils (HRDC). These grants support local community anti-poverty programs. The funds used for the additional grants were carryover funds from the fiscal 1983 grant.

Overexpenditures in the Weatherization Program were for additional weatherization grants to local agencies. Funding for these additional expenditures were not authorized by the legislature or made from the weatherization appropriation. To cover the overexpenditures of the weatherization program, the department used excess spending authority from several other programs.

Current Level Adjustments

The current level personal services include the .75 FTE transferred from the Vocational Rehabilitation Program.

Adjustments to operational costs include reductions in supplies and materials. The agency increased expenditures in this category by 61.31 percent between fiscal 1983 and 1984. This reduction brings the total supplies and materials expenditures back to a \$87,283 base before inflation is added. Current level includes \$8,616 each year for purchase of data processing and office equipment.

The following table shows actual fiscal 1984 and the 1987 biennium current level benefits for the Assistance Payments Program.

Table 7
Comparison of Fiscal 1984 Actual Expenditures and Current Level Benefits

	<u>Fiscal 1984</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
AFDC	\$26,429,128	\$28,837,510	\$30,744,488
LIEAP	11,999,113	11,011,799	11,057,289
State General Assistance	2,179,346	2,615,547	2,883,816
Weatherization	2,063,583	1,643,687	1,643,687
Community Service Block Grant	1,230,126	1,252,989	1,324,404
Day Care	428,745	465,960	489,258
Training	162,205	78,811	83,697
Non-Resident General Assistance	18,475	30,000	30,000
Food Stamps	24,345	26,458	27,781
Transient Assistance	11,796	-0-	-0-
Food Distribution	236,229	-0-	-0-
Job Search	170,625	-0-	-0-
Food Network Grant	24,641	-0-	-0-
Solar Bank	64,796	-0-	-0-
Total	<u>\$45,043,153</u>	<u>\$45,962,761</u>	<u>\$48,284,420</u>

Community Services Block Grant

The Community Services Block Grant includes community anti-poverty programs originally established under the Federal Economic Opportunity Act of 1964. These funds are intended to identify and reduce the causes of poverty at the community level within the state. State statutes require that the funds be allocated to Human Resources Development Councils in support of local programs. The grant allows 5 percent for state administration. Current level benefits include a 5.7 percent increase per year over the amount originally authorized for fiscal 1984. This results in \$1,252,989 for fiscal 1986 and \$1,324,404 in fiscal 1987.

Non-Resident General Assistance

State statutes provide that general assistance payments for non-residents of the state is a responsibility of SRS rather than the counties. These payments are made to provide emergency assistance for individuals or families traveling through the state with no intent of establishing residency. Funds for the Non-resident Assistance Program are entirely general fund. As shown in Table 8, the amount of Emergency Assistance Payments fluctuates considerably and shows no predictable pattern.

Table 8
Non-Resident Assistance Payments Fiscal 1981 Through Fiscal 1984

<u>Fiscal Year</u>	<u>Assistance Payments</u>
1981	\$43,378
1982	27,783
1983	31,322
1984	18,475

Current level benefits include \$30,000 in fiscal 1986 and \$30,000 for fiscal 1987. These amounts are calculated by using the average annual payments between fiscal 1981 and 1984 and holding this amount constant through the fiscal 1987 biennium.

Food Stamps

SRS administers food stamp issuance on Indian reservations. Although the food stamp benefits are federally funded, the cost of administering the program is 50 percent general funds. Total benefits for these programs are \$26,458 in fiscal 1986 and \$27,781 in fiscal 1987.

Training

Federal regulations governing the AFDC program require that states provide orientation and continuing education for staff working within the AFDC program. During the 1985 biennium, this training was provided by the University of Montana. The federal training grant requires a 50 percent match and during the 1985 biennium the University of Montana provided the state match for this program. For the 1987 biennium, SRS has requested that a portion of the training be conducted by department staff and other private contractors. Although the university will continue to provide the 50 percent match for their portion of the training contract, the department is requesting general fund to match that portion of the training that would be provided by agency staff or private contractors. The following table details the department's request for the 1987 biennium.

Table 9
SRS Training Request for the 1987 Biennium

	<u>General Fund</u>	<u>Federal Funds</u>	<u>University Match</u>	<u>Total Funds</u>
Fiscal 1984 ¹	\$ -0-	\$97,292	\$ 64,914	\$162,206
----- SRS Requested -----				
Fiscal 1986	\$15,600	\$ 77,178	\$ 61,579	\$154,357
Fiscal 1987	<u>16,224</u>	<u>80,265</u>	<u>64,042</u>	<u>160,531</u>
Biennium Total	<u>\$31,824</u>	<u>\$157,443</u>	<u>\$125,621</u>	<u>\$314,888</u>

¹Actual expenditures do not show a 50/50 match which SRS says is required.

During fiscal 1984, the department spent \$162,206 for training with the university. Although the department's total request for funds during the 1987 biennium is less than the amount expended in 1984, the 1987 biennium request includes \$31,824 of general funds.

The current level budget includes the funding level requested by the department but does not include general fund or the 50 percent university match. Current level assumes the department will continue their contract with the university.

State Assumed General Assistance

The General Assistance Program provides basic necessities such as shelter, heat, and personal needs for low income persons. During fiscal 1984, eleven counties opted for state assumption and Powell County requested assumption in fiscal 1985. Total cost of the general assistance program is a function of the caseload size and payment level. The following table shows the general assistance expenditures for the eleven assumed counties and the non-assumed counties from fiscal 1982 through 1984.

Table 10
General Assistance Costs From
Fiscal 1982 Through 1984

Counties	Fiscal 1982	Fiscal 1983	% Change	Fiscal 1984	% Change
Assumed	\$1,033,200	\$1,501,872	45.36	\$2,179,346	45.12
Non-Assumed	185,763	231,643	24.7	283,714	22.48
Total Costs	<u>\$1,218,963</u>	<u>\$1,733,515</u>	<u>42.21</u>	<u>\$2,463,060</u>	<u>42.08</u>

Data from SRS statistical report

As may be seen from Table 10 the general assistance costs have increased significantly since fiscal 1982. In particular, the costs for the assumed counties have shown a steady increase over this period. SRS has budgeted \$3,259,794 during fiscal 1985 for general assistance which is a 49 percent increase over fiscal 1984. This department attributes this 49 percent increase to a lawsuit filed against SRS in fiscal 1984 to require the department to increase the payment level and to a rapidly rising caseload. However, the department intends to introduce legislation during the session to reduce payment levels that were established by the court.

Current level benefits include a 5 percent caseload growth per year and the addition of Powell County. The current level payments are based on the 1984 payment level and inflated at 4, 4.5, and 5 percent. The following table shows the current level average caseload and payment level for fiscal 1986 and 1987.

Table 11
Caseload, Average Payment, and Total Cost of State Assistance

	Monthly Caseload	Payment	Total Cost
Fiscal 1982	700	\$123.00	\$1,033,200
Fiscal 1983	934	134.00	1,501,872
Fiscal 1984	1,123	162.00	2,179,346
- - - - - Current Level - - - - -			
Fiscal 1986	1,238	\$176.06	\$2,615,547
Fiscal 1987	1,300	184.86	2,883,816

Low Income Energy Assistance Program(LIEAP)

The Omnibus Reconciliation Act of 1981 provides block grants to the states for assistance to low income households in reducing costs of home heating. Provisions of the bill allow 10 percent for administration of the grant, 15 percent for weatherization, 10 percent may be transferred to the social services block grant, and 25 percent may be carried forward to the next fiscal year. Of Montana's total LIEAP grant award, 19.24 percent is allocated to Indian tribes.

The expenditure rate established by SRS for the 1985 biennium exceeds the amount of federal grant award available and the expenditure rate has only been possible due to carryover funds from prior years. As shown in Table 12, the anticipated federal grant plus available carryover funds are not sufficient to maintain the fiscal 1984 expenditure level into the 1987 biennium.

Table 12
Comparison of the Department's Current Level Expenditure Rate and Available Funds

<u>Funds Available</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Grant Award	\$12,297,691	\$12,297,691	\$12,297,691	\$12,297,925
Carryover	<u>2,858,426</u>	<u>1,662,566</u>	<u>926,495</u>	<u>-0-</u>
Total Available	\$15,156,117	\$13,960,257	\$13,224,186	\$12,297,925
<u>Expenditures</u>				
Soc. Sec. Block Grant	\$ 1,229,767	\$ 1,229,769	\$ 1,229,769	\$ 1,229,769
States Administration	264,670	280,550	293,174	307,832
Local Administration	622,702	679,250	709,816	745,307
Fuel Assist. Gran	9,881,968	10,255,602	10,717,104	11,252,959
Weatherization	1,841,953	950,000	992,750	1,042,387
Refunds	<u>(347,509)</u>	<u>(361,409)</u>	<u>(377,672)</u>	<u>(396,555)</u>
Total Expenditures	<u>\$13,493,551</u>	<u>\$13,033,762</u>	<u>\$13,564,941</u>	<u>\$14,181,699</u>
Carryover/Deficit	<u>\$ 1,662,566</u>	<u>\$ 926,495</u>	<u>\$ (340,755)</u>	<u>\$(1,883,774)</u>

At the fiscal 1984 expenditure rate established by the department, by 1986 the program would require \$340,755 in additional other funds to meet expenditures with no funds available to carry over to fiscal 1987. To remain within available funds. The current level budget has reduced fuel assistance grants and weatherization by 5 percent during both years of the 1987 biennium. Table 13 shows current level LIEAP benefits.

Table 13
LIEAP Current Level Benefits

<u>Funds Available</u>	<u>Fiscal 1985</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Grant Award	\$12,297,691	\$12,297,691	\$12,297,691
Carryover	<u>1,662,566</u>	<u>926,472</u>	<u>689,421</u>
Total Available	\$13,960,257	\$13,224,163	\$12,987,112
<u>Expenditures</u>			
Soc. Sec. Blk. Grant	\$ 1,229,792	\$ 1,229,769	\$ 1,229,769
State Admin	280,550	293,174	307,832
Local Admin.	679,250	709,816	745,306
Fuel Assistance Grants	10,255,602	9,742,821	9,742,821
Weatherization	950,000	902,500	912,500
Refunds	<u>(361,409)</u>	<u>(343,338)</u>	<u>(343,338)</u>
Total Expenditures	<u>\$13,033,785</u>	<u>\$12,534,742</u>	<u>\$12,594,890</u>
Total Carryover	<u><u>\$ 926,472</u></u>	<u><u>\$ 689,421</u></u>	<u><u>\$ 392,222</u></u>

Weatherization

The Department of Energy Weatherization Program provides funds to weatherize low income homes. The department has received an award of \$1,643,687 for the period April, 1984 through March, 1985. This level of funding is expected to continue for the 1987 biennium. Current level benefits include those amounts for fiscal 1986 and 1987.

Daycare

Daycare is provided to AFDC recipients who are working or participating in work-related training programs. Costs associated with employment related daycare is considered a work-related expense and is deducted from income when calculating the recipients' AFDC payment. These costs are reflected in the average payment level established for AFDC and are included in the section on AFDC.

Training related daycare is paid directly to the daycare provider when the AFDC recipient is participating in such training as vocational technical school or WIN Work Experience. Actual training related daycare expenditures in fiscal 1984 were \$428,745. This amount has been inflated at 4, 4.5, and 5 percent to arrive at the 1987 biennium benefits of \$465,960 in fiscal 1986 and \$489,258 for fiscal

1987. Daycare costs are funded at the same federal/state matching ratio as medicaid.

Aid to Families with Dependent Children (AFDC)

Aid to Families with Dependent Children is a cash assistance program funded jointly by the state and federal government. AFDC eligibility requires that each recipient family must have at least one child under the age of eighteen, that the child be living with a relative, and that the child be deprived of support because of incapacity or abuse of a parent. Families must also meet income and resource standards established under state and federal guidelines.

The total cost of providing AFDC benefits is a function of caseload and average cost per case. Average cost per case is related to the payment standard established by the state according to family size. Historically, the legislature has set the payment standard as a percentage of the poverty index. The 1983 legislature intended funding for AFDC payments during fiscal 1984 to be at 51 percent of the projected poverty index with a 3 percent increase in payments allowed for fiscal 1985. The following table presents the Federal Poverty Guidelines for fiscal 1984 and projection of the poverty level from fiscal 1985 to 1987. Projections of the poverty index are based on inflation of the 1984 level by 4, 4.5, and 5 percent per year from fiscal 1984 to 1987.

Table 14
Poverty Index for Fiscal 1984 and Projections for
Fiscal 1985 through Fiscal 1987

<u>Family Size</u>	<u>Fiscal 1984</u>		<u>Fiscal 1985</u>		<u>Fiscal 1986</u>		<u>Fiscal 1987</u>	
	<u>Annual</u>	<u>Monthly</u>	<u>Annual</u>	<u>Monthly</u>	<u>Annual</u>	<u>Monthly</u>	<u>Annual</u>	<u>Monthly</u>
1	\$ 4,980	\$ 415	\$ 5,184	\$ 432	\$ 5,412	\$ 451	\$ 5,688	\$ 474
2	6,720	560	6,984	582	7,296	608	7,668	639
3	8,460	705	8,796	733	9,192	766	9,660	805
4	10,200	850	10,608	884	11,076	923	11,640	970
5	11,940	995	12,420	1,035	12,972	1,081	13,620	1,135
6	13,680	1,140	14,232	1,186	14,868	1,239	15,600	1,300

Source: Department of Health and Human Services

Table 15 shows the actual fiscal 1984 payment standards and SRS budgeted payment standards for fiscal 1985 as a percent of the poverty index.

Table 15
Fiscal 1984 and 1985 Poverty Index Levels and SRS Payment Standards

Family Size	Fiscal 1984			Fiscal 1985		
	Poverty Index	Payment Scheduled	%Poverty Index	Poverty Index	Payment Schedule	%Poverty Index
1	415	212	51	432	212	49
2	560	279	49	582	279	48
3	705	332	47	733	332	45
4	850	425	50	884	425	48
5	995	501	50	1,035	501	48
6	1,140	564	49	1,186	564	47

Table 16 shows the actual fiscal 1985 payment standards and projected payment standards in the 1987 biennium if the standard were set at 51 percent of the poverty index.

Table 16
AFDC Payment Standards at 51 Percent of the Projected Poverty Index

Family Size	Actual Fiscal 1985	51 Percent Fiscal 1986	Percent Change	51 Percent Fiscal 1987	Percent Change
1	\$212	\$230	8.49	\$242	5.22
2	279	310	11.11	325	4.84
3	332	391	17.77	410	4.86
4	425	471	10.82	495	5.10
5	501	552	10.17	579	4.89
6	564	632	12.06	664	5.06

Due to income deductions and financial resource adjustments, the overall average monthly AFDC payment for all family sizes is a percentage of the payment standard. The following table shows the relationship between the maximum average payment (if each family actually received the payment standard) and the average monthly payment.

Table 17
Comparison of Maximum Average Payment and Actual Average Monthly Payment

	<u>Fiscal 1982</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>
Maximum Average Payment	298.67	325.86	349.27
Actual Average Payment	252.96	295.91	309.11
Actual as a Percentage of Maximum Payment	84.69%	90.80%	88.50%

Because the average payment is less for a family of 2 than for a family of 5, the maximum average payment is a function of the composition of the total AFDC caseload by family size. If the percentage of 2 person families increases, then the maximum average payment will decrease. Table 18 shows the percentage of the AFDC caseload by family size for fiscal 1982 through fiscal 1984.

Table 18
Percentage of AFDC Caseload by Family Size

<u>Fiscal Year</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Family Size</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>Percent Total</u>
1982	9.1	44.6	25.0	13.5	5.0	1.7	1.1		100%
1983	7.0	45.4	26.4	13.7	5.0	1.6	0.9		100%
1984	6.8	44.2	27.2	14.1	5.2	1.5	1.0		100%

If the composition of the AFDC caseload remains constant through the fiscal 1987 biennium, then the maximum average payment can be calculated as a weighted average of the percent of caseload by family size. From the data shown in Table 17, the actual average monthly payment is a percentage of the payment standard and has averaged 88 percent from fiscal 1982 through fiscal 1984. The current level benefits have been calculated as 88 percent of the maximum allowable payment set for 51 percent of the poverty index. The following table shows the average maximum payment and anticipated average monthly payment for fiscal 1986 and fiscal 1987.

Table 19
The Average Maximum Payment and Projected Average Monthly
AFDC Payment for Fiscal 1984 through Fiscal 1987

Payment	FY'84	FY'86	FY'87	% Change	
				FY84-86	FY86-87
Maximum Average	\$349.27	\$370.72	\$388.97	6.14	4.92
Average Payment	309.11	326.29	342.29	5.56	4.90

The second major factor in determining total AFDC cost is the projected size of the AFDC caseload. The current level budget uses the department's methodology for projecting the caseload, but incorporates more current information regarding the projected unemployment rate. According to the department's methodology, the AFDC caseload appears to grow as a function the state's unemployment rate. The following table compares SRS and current level projections of additional cases added to the fiscal 1984 caseload.

Table 20
Comparison of AFDC Caseload Projections

Year	- - - - - SRS - - - - -		- Current Level -		Total Caseload Difference
	Additional Cases	Total Caseload	Additional Cases	Total Caseload	
Fiscal 1984	-0-	7,125	-0-	7,125	-0-
Fiscal 1985	-0-	7,125	176	7,301	176
Fiscal 1986	176	7,301	64	7,365	64
Fiscal 1987	400	7,701	120	7,485	(216)

The current level AFDC caseload and payment standard set at 51 percent of the projected poverty index yields the following caseload and total annual costs.

Table 21
Current Level Benefits for AFDC at 51 Percent of the Poverty Index

Fiscal Year	Caseload	Payment	Total Cost	% Increase
1984	7,125	\$309.11	\$26,429,128	
1986	7,365	326.29	28,837,510	9.11
1987	7,485	342.29	30,744,488	6.61

Issue 1: Aid to Families With Dependent Children

Although the 1983 legislature authorized the payment standard at 51 percent of the poverty index, the actual payment standard established by SRS for fiscal 1984 was 49 percent and fiscal 1985 is 47.5 percent of the poverty index. Current level benefits are 51 percent of the poverty index.

The 1981 legislature had intended the AFDC payment standard to be 55 percent of the poverty index. In their modified requests, the department has requested raising the AFDC payment standard to 55 percent of the poverty index. The following table presents AFDC average payments and total costs at 47.5, 51, and 55 percent of the projected poverty index.

Table 22
AFDC Benefits Calculated at 47.5, 51, and 55 Percent of the Poverty Index

<u>Fiscal Year</u>	<u>47.5%</u>	<u>51%</u>	<u>55%</u>	<u>47.5%</u>	<u>51%</u>	<u>55%</u>
1984	\$309.11	\$ -0-	\$ -0-	\$26,429,128	\$ -0-	\$ -0-
1986	303.61	326.29	351.19	26,833,052	28,837,510	31,038,172
1987	318.95	342.29	368.98	28,648,089	30,744,488	33,141,784

Option a: Keep the payment standard at 47.5 percent of the poverty index. This option would require \$683,721 less general fund for fiscal 1986 and \$704,810 less in fiscal 1987 than the current level benefits.

Option b: Set the AFDC payment standard at 55 percent of the poverty index. This would cost \$750,646 of general fund in fiscal 1986 and \$805,971 in fiscal 1987.

Option c: Establish the AFDC payment standard at 51 percent of the poverty index. Current level benefits include this amount.

Issue 2: Low Income Energy Assistance (LIEAP)

The federal grant awards and available carryover funds are not sufficient to maintain the fuel assistance and weatherization programs at the rate established by the department for the 1985 biennium.

Provisions of the LIEAP grant allow for transfer of 10 percent of the grant award to the Social Services Block Grant. Consistent with past policy, the current level analysis includes the 10 percent transfer of funds to the Social Services Block Grant used for the developmentally disabled program. If

the 10 percent transfer provision were not implemented, \$1,229,769 additional funds would be available for the LIEAP program. However, a corresponding amount of general funds would be required to support the developmental disabilities program that are currently funded with the 10 percent transfer.

Option a: Maintain the 10 percent transfer as established in the current level budget.

Option b: Do not transfer 10 percent of the LIEAP funds to the social services block grant. This would increase the LIEAP program, but requires either a reduction in DD services or \$1,229,769 more general fund each year.

Issue 3: DEFRA Caseload

The Deficit Reduction Act of 1984 (DEFRA) was passed by Congress to provide additional assistance to low income families. Regulations of the act became effective October, 1984. The department has estimated that an additional 146 AFDC cases will be added to the caseload as a result of the DEFRA changes in eligibility requirements.

Option a: The legislature may include the department's estimate of 146 additional AFDC cases per year for the 1987 biennium as part of the AFDC appropriation. The additional cost for these cases would be \$571,660 in fiscal 1986 and \$646,453 in fiscal 1987.

Option b: Because the changes in regulations are so recent, there is no method at this time to predict the actual impact of the DEFRA changes in eligibility regulation. Therefore, the legislature may wish to establish a contingency fund that is restricted to AFDC caseload increases that are directly attributable to DEFRA changes. Using the department's estimate of 146 additional cases, the contingency fund would require \$194,993 in general fund and \$376,667 in federal funds for fiscal 1986 and \$217,337 in general fund and \$429,116 in federal funds for fiscal 1987.

SOCIAL SERVICES

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	368.64	373.89	367.64	367.64	0.9
Personal Service	\$ 7,722,146	\$ 7,881,585	\$ 8,013,693	\$ 8,027,965	2.8
Operating Expense	851,628	1,187,204	803,757	803,757	(21.1)
Equipment	4,951	2,477	6,574	6,904	81.4
Inflation	<u>-0-</u>	<u>-0-</u>	<u>44,676</u>	<u>76,369</u>	<u>--</u>
Total Operating Costs	\$ 8,578,725	\$ 9,071,266	\$ 8,868,700	\$ 8,914,995	0.7
Non-Operating Costs	<u>11,666,025</u>	<u>11,920,598</u>	<u>11,959,011</u>	<u>12,515,123</u>	<u>3.7</u>
Total Expenditures	<u>\$20,244,750</u>	<u>\$20,991,864</u>	<u>\$20,827,711</u>	<u>\$21,430,118</u>	<u>2.4</u>
<u>Fund Sources</u>					
General Fund	\$ 5,092,741	\$ 7,228,393	\$11,328,285	\$11,573,678	85.8
State Special	732,630	845,743	845,743	845,743	7.1
Federal Revenue	<u>14,419,379</u>	<u>12,917,728</u>	<u>8,653,683</u>	<u>9,010,697</u>	<u>(35.3)</u>
Total Funds	<u>\$20,244,750</u>	<u>\$20,991,864</u>	<u>\$20,827,711</u>	<u>\$21,430,118</u>	<u>2.4</u>

The Community Services Division provides a variety of social services to children, adults, and senior citizens with the goal of maintaining family unity and providing services in the least restrictive environment appropriate. Services to children include foster care, protective day care, big brothers and sisters, and coordination of youth court and schools to reduce the instances of delinquency. Services to adults include information and referral, legal services, spouse abuse counseling, services to unmarried parents, health and nutrition programs, and work incentive programs. For senior citizens, services include congregate meals, transportation, funding for senior centers, homemaker services, and legal advocacy. The Social Services Program is also responsible for administration of the state's supplemental security income (SSI) payments to eligible recipients.

Except in the 12 counties that have opted for state assumption of their welfare program, funding and supervision of the Community Services Division social workers and homemakers field staff is a shared state and county responsibility. Social services for senior citizens are provided through contracts with eleven agencies for aging that are located around the state.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation.

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	373.89	366.64	7.25
Personal Services	\$ 7,892,706	\$ 7,702,116	\$ 190,590
Operating Expenses	804,139	844,373	(40,234)
Equipment	5,056	4,026	1,030
Total Operating Costs	\$ 8,701,901	\$ 8,550,515	\$ 151,386
Grants and Benefits	11,859,802	11,254,305	605,497
Total Expenditures	<u>\$20,561,703</u>	<u>\$19,804,820</u>	<u>\$ 756,883</u>
<u>Funding</u>			
General Fund	\$ 6,747,317	\$ 5,092,741	\$1,654,576
Millage Revenue	813,216	732,630	80,586
Federal Revenue	13,001,170	13,979,449	\$ (978,279)
Total Funds	<u>\$20,561,703</u>	<u>\$19,804,820</u>	<u>\$ 756,883</u>
<u>Additions</u>			
Budget Amendments	-0-	\$ 439,930	\$ (439,930)

The surplus in personal services results from a combination of the transfer of 8 FTE social workers to the Assistance Payments Program to implement the medicaid pre-screening program, the transfer of a .75 clerical position from the Vocational Rehabilitation Program to the Social Services Program, and staff turn-over during the year. However, through a series of position reclassifications and upgrades, the agency has expended \$227,813 more in personal services than was originally anticipated under the staffing pattern authorized by the 1983 legislature.

The principal areas where overexpenditures occurred in operating costs were contract services, supplies and materials, and other expenses. Within contract services, \$17,868 more than originally allocated was spent for computer services. The program spent \$12,920 more than anticipated for office supplies. Expenditures exceeding the anticipated budget for other expenses included a significant increase in registration fees.

The following table presents the fiscal 1984 grants and benefits as anticipated by the 1983 legislature and actual expenditures.

Table 23
Comparison of fiscal 1984 Anticipated Expenditures to
Actual Expenditures for Benefits

<u>Service</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
Day Care	\$ 343,896	\$ 376,597	\$ (32,701)
Child Abuse	73,245	64,691	8,554
Legal Services	100,000	100,000	-0-
Subsidized Adoption	135,000	115,589	19,411
Spouse Abuse	121,744	121,922	(178)
Training	295,625	200,009	95,616
Family Teaching Center	102,250	98,466	3,784
Supplemental Security Income	807,866	755,402	52,464
Indo-Chinese	100,000	94,314	5,686
Home-Health Foundation	26,875	26,933	(58)
Big Brothers and Sisters	199,755	200,913	(1,158)
West Yellowstone Project	6,395	6,395	-0-
Aging Services	3,988,855	4,167,347	(178,492)
Pre-screening Medicaid Waiver	170,900	-0-	170,900
Legacy Legislature HB 153	5,000	4,828	172
Foster Care	5,382,396	4,920,899	461,497
Total Funds	<u>\$11,859,802</u>	<u>\$11,254,305</u>	<u>\$ 605,497</u>
<u>Budget Amendments</u>			
Indo Chinese	-0-	\$ 145,685	\$(145,685)
Aging	-0-	266,035	(266,035)
Grand Total of Funds	<u><u>\$11,859,802</u></u>	<u><u>\$11,666,025</u></u>	<u><u>\$ 193,777</u></u>

Although there are wide variations among programs, the overall difference between the total amount of grants and benefits anticipated by the legislature and the actual fiscal 1984 expenditure is less than 2 percent. Overexpenditure in aging services was primarily for home delivered meals. The \$170,900 that was allocated for the pre-screening medicaid waiver program was transferred to the medical assistance program.

The department received an additional \$145,685 of federal funds to assist refugees in relocation, job placement, and general case management. The additional federal funds for aging were used to expand the congregate meals program and social services for the elderly.

Current Level Adjustments

Personal services have been increased by 2 FTE. These positions are for a nursing home ombudsman and legal advocate. Both positions are funded with federal aging funds and were added during fiscal 1984 by budget amendment. These positions are intended to assist the elderly in receiving appropriate care in nursing homes and within the home and community base service system. Prior to the budget amendment establishing these positions, SRS had contracted for similar services. The position of aging services coordinator has been transferred to the Governor's Office.

Operating costs have been adjusted to the original level authorized for fiscal 1984. Thus, operating expenses have been reduced \$40,616 from the fiscal 1984 actual expenditures to bring the operating expenses to \$803,757 before inflation is added to establish the fiscal 1986 and 1987 current level.

Equipment amounts included in the current level is for general office furniture, replacement typewriters, and calculators.

The following table shows the fiscal 1987 current level benefits for the Social Services Program.

Table 24
Social Service Current Level Benefits, 1987 Biennium

<u>Benefit</u>	<u>FY'84</u>	<u>FY'86</u>	<u>Percent Change</u>	<u>FY'87</u>	<u>Percent Change</u>
Day Care	\$ 376,597	\$ 421,247	11.9	\$ 441,626	4.8
Child Abuse	64,691	70,306	8.7	73,821	5.0
Legal Services	100,000	100,000	0.0	100,000	0.0
Subsidized Adoption	115,589	125,620	8.7	131,900	5.0
Spouse Abuse	121,922	124,822	2.4	131,063	5.0
Training	200,009	164,856	(17.6)	174,099	5.6
Family Teaching Center	98,466	-0-		-0-	
Supplemental Security Income	755,402	793,005	5.0	793,005	0.0
Indo-Chinese	239,999	260,830	8.7	273,872	5.0
Home Health	26,933	21,953	(18.5)	23,050	5.0
Big Brothers and Sisters	200,913	163,787	(18.5)	171,977	5.0
West Yellowstone	6,395	5,212	(18.5)	5,473	5.0
Aging Services	4,433,382	4,500,698	1.5	4,725,733	5.0
Legacy Legislation	4,828	-0-	N/A	5,000	N/A
Foster Care	<u>4,920,899</u>	<u>5,206,675</u>	5.8	<u>5,464,504</u>	5.0
Total	<u>\$11,666,025</u>	<u>\$11,959,011</u>	2.5	<u>\$12,515,123</u>	4.6

DayCare

Protective daycare services are provided as an alternative to foster care. Based on client eligibility, protective daycare may be divided into three categories: AFDC related, Non-AFDC related, and Refugee. Funding for AFDC related is a mix of federal title IV-A funds and general funds, non-AFDC related is 100 percent general fund, and the refugee program is 100 percent funded from the federal Office of Refugee Resettlement. Table 25 shows the fiscal 1984 actual costs and the fiscal 1986 and 1987 current level for daycare services.

Table 25
Comparison of Fiscal 1984 Actual and
Current Level Fiscal 1986 and 1987 Daycare Costs

	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
AFDC	\$151,109	\$168,331	\$175,934	\$184,652
Non-AFDC	215,488	225,149	235,313	246,974
Refugee	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total	<u>\$376,597</u>	<u>\$403,480</u>	<u>\$421,247</u>	<u>\$441,626</u>
Average Cost/Day	\$7.03	\$7.53	\$7.87	\$8.26

Calculation of the fiscal 1986 and 1987 current level was made by using the fiscal 1984 actual number of days and inflating the fiscal 1985 average cost per day by 4.5 percent for fiscal 1986 and 5 percent for fiscal 1987. Because the refugee caseload is declining the agency did not anticipate any increased costs for refugee daycare.

Child Abuse

Child abuse services are provided through grants to local agencies for training and public awareness of issues surrounding the physical and sexual abuse of children. Grants are primarily used for start up costs and local agencies are expected to provide continued funding. The program also supports hot line telephone service with access to national experts for consultation on unusually difficult issues of child abuse. Current level benefits for the program were calculated by inflating the fiscal 1984 actual expenditures by 4 percent for fiscal 1985 and 4.5 and 5 percent for fiscal 1986 and 1987 respectively. Benefits for child abuse programs are \$70,306 in fiscal 1986 and \$73,821 in fiscal 1987. This program is entirely federally funded.

Legal Services

Through a contract with the Montana Legal Services Association, SRS provides legal services for AFDC and SSI recipients. When originally established, this program was funded with federal Title XX and general fund at a 75/25 match. Social Services Block Grant funds were used during the fiscal 1985 biennium to replace the Title XX funds. Current level benefits include the contract at \$100,000 per year of the 1987 biennium. Because all social service block grant funds have been transferred to the developmental disabilities program, the legal services contract is entirely general fund.

Subsidized Adoption

Subsidized adoption is a program designed to assist families in adopting children with special needs such as physical or mental handicaps, or sibling groups. Funding for the program is dependent upon whether or not the child is eligible for federal Title IV-E Foster Care Funds. If the child is eligible in IV-E funding, then the program costs are shared at the same percentage as the medicaid rate; if the child is not IV-E eligible, then the payment is 100 percent general fund.

According to the department, the actual amount of support is negotiated with the family and depends upon the particular needs of the child. The maximum subsidy in fiscal 1984 was \$225 per month which was set at \$10.00 less than the foster care payment.

The current level benefits for the subsidized adoption program are based on the fiscal 1984 caseload mix of Title IV-E and non Title IV-E eligible clients. Fiscal 1984 expenditures are then inflated 4, 4.5, and 5 percent for fiscal 1985, 1986, and 1987. Total benefits for the subsidized adoption program are \$125,620 in fiscal 1986 and \$131,900 in fiscal 1987.

Spouse Abuse

This program provides protection and counseling services to abused spouses. A \$5 deduction from the marriage license fee is deposited into the general fund to support the program. Table 26 shows the fiscal 1983 and 1984 expenditures and the amount of revenue collected from the marriage licenses fee to support the program.

Table 26
Comparison of Revenue Collected from Marriage License Fees and
Expenditures for Spouse Abuse

	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>	<u>- - Current Level - -</u> <u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Revenue Collected	\$113,098	\$114,853	\$124,822	\$131,063
Expenditures	<u>74,253</u>	<u>121,922</u>	<u>124,822</u>	<u>131,063</u>
Difference	<u>\$ 38,845</u>	<u>\$(7,069)</u>	<u>=====</u> -0-	<u>=====</u> -0-

To maintain expenditures within estimates of revenue available from the marriage license fee, current level benefits have been adjusted to match the estimated revenue available during the 1987 biennium. Table 4 shows the current level benefits for the Spouse Abuse Program. Benefits equal the biennium revenue projected by inflating the fiscal 1984 revenue collected by 4, 4.5, and 5 percent per year.

Training

Training grants are made to provide a variety of educational opportunities for social services staff to maintain their professional competence and to provide technical assistance as changes occur in state and federal welfare regulations. Funds are included for a training contract with the University of Montana to provide training to staff of the Social Services Program. Funding for the university training program during fiscal 1984 included a 25 percent match from the university for their training contract with the balance of funds being general fund. Current level benefits include the contract with the University of Montana. The 25 percent match from the university is not included in the department's budget but should be included in the university's funding. Total training funds for current level are \$164,856 in fiscal 1986 and 174,099 in fiscal 1987.

Supplemental Security Income

The state supplements federal payments to indigent aged, blind, or disabled persons. The amount of the supplementary payment is determined according to the residence of the recipient. During fiscal 1984, individuals living in residential homes and group home for the mentally ill or developmentally disabled received \$94.00 per month; children and adults in foster care receive \$52.75 per month; and developmentally disabled in semi independent living situations received

\$26.00 per month. The average monthly payment in fiscal 1981, 1982, and 1983 was \$93.34. In fiscal 1984, the average monthly payment was reduced to \$85.49. The reduction in the fiscal 1984 rate was possible due to a \$10 increase in the federal supplement. With the increased federal payment the agency was able to reduce the state's share and still maintain the fiscal 1983 combined federal/state level of payment. Because the average monthly payment is constant through fiscal 1986 and 1987, the determining factor in calculating the current level benefits is the caseload. According to the department, the growth in SSI payments during the fiscal 1985 biennium is attributable to expansion of DD programs and the implementation of the medicaid waiver. The current level budget for the 1987 biennium does not include expansion of services and therefore, the caseload should remain at the fiscal 1985 level.

Table 27
1987 Biennium Caseload and Average Payment for Supplemental Security Income

	<u>FY'83</u>	<u>FY'84</u>	<u>FY'85</u>	<u>FY'86</u>	<u>FY'87</u>
Monthly Caseload	758	736	773	773	773
Average Payment	<u>\$ 93.34</u>	<u>\$ 85.49</u>	<u>\$ 85.49</u>	<u>\$ 85.49</u>	<u>\$ 85.49</u>
Total Cost	<u>\$849,020</u>	<u>\$755,402</u>	<u>\$793,005</u>	<u>\$793,005</u>	<u>\$793,005</u>
Percent Increase	(11.0)	5.0	0.0	0.0	

Indo-Chinese

Services to the Indo-chinese population are 100 percent federally funded. Services include support of refugee centers, foster care for this population, and public education programs. Funding for the program is dependent upon availability of the federal funds. Current level benefits were calculated using fiscal 1984 actual expenditures and inflating at normal inflation rates. Total benefits for Indo-Chinese services are \$260,830 in fiscal 1986 and \$273,872 in fiscal 1987.

Home Health Foundation and West Yellowstone Project

These two programs are grants awarded by the agency to fund basic social services in areas where there are no departmental staff. The Home Health Foundation provides services to Lewis and Clark County and the West Yellowstone Project supports services in the West Yellowstone area. The ratio of funding for

both programs is 75 percent state and 25 percent local. Current level benefits include a normal inflation of the fiscal 1984 cost. However, current level does not include the third party match being processed through the state.

Big Brothers and Sisters

This program is intended to provide an appropriate adult role model for youth of single parent families. Local programs are funded under a 75/25 match between state general fund and local funds. The 25 percent local match is raised from donations, county participation, and charities. Current level funding was based upon fiscal 1984 actual expenditures and then inflated 4, 4.5, and 5 percent for fiscal 1985, 1986, and 1987. Current level benefits do not include the 25 percent third party match being processed through the state.

Aging Services

Funding for the aging program is determined by the level of anticipated federal grants. The department does not anticipate a significant change in the federal allocation formula. In addition to the federal funds, state general funds are used to support information and referral services, in-home care, and a 5 percent match on federal funds used for social services, congregate nutrition, and home delivered meals.

Table 28 shows the actual fiscal 1984 expenditures and the current level fiscal 1986 and 1987 aging services funding. The funding for services during the 1987 biennium were calculated by inflating the fiscal 1984 expenditures at 4 percent for fiscal 1985, 4.5 percent for fiscal 1986, and 5 percent for fiscal 1987.

Table 28
Comparison of Fiscal 1984 Current Level Actual Expenditures and
Fiscal 1986 and 1987 Current Level Benefits for Aging

<u>Aging</u>	<u>Fiscal 1984</u>	<u>Fiscal 1986</u>	<u>Percent Change</u>	<u>Fiscal 1987</u>	<u>Percent Change</u>
Social Services	\$1,193,558	\$1,297,158	8.7	\$1,362,017	5.0
Congregate Meals	1,654,444	1,798,050	8.7	1,887,952	5.0
Home Delivered Meals	283,883	308,524	8.7	323,950	5.0
Training	31,517	34,253	8.7	35,965	5.0
Legal Advocacy	10,104	10,981	8.7	11,530	5.0
Cash in Lieu of Comm.	403,723	438,766	8.7	460,704	5.0
Total Federal Funds	<u>\$3,577,229</u>	<u>\$3,887,732</u>	<u>8.7</u>	<u>\$4,082,118</u>	<u>5.0</u>
State Match Grant	\$ 189,828	\$ 177,937	(6.3)	\$ 186,834	5.0
Information Referral	126,685	137,681	8.7	144,565	5.0
In home Services	273,600	297,348	8.7	312,216	5.0
Total General Fund	<u>\$ 590,113</u>	<u>\$ 612,966</u>	<u>3.9</u>	<u>\$ 643,615</u>	<u>5.0</u>
Total Funds	<u><u>\$4,167,342</u></u>	<u><u>\$4,500,698</u></u>	<u><u>8.0</u></u>	<u><u>\$4,725,733</u></u>	<u><u>5.0</u></u>

Foster Care

Table 29 shows the growth in foster care services and costs from fiscal 1981 through fiscal 1985.

Table 29
Comparison of Foster Care Cost Per Service, Services and
Total Cost Per Service

----- Cost Per Unit of Service -----				
<u>Service</u>	<u>Fiscal '82</u>	<u>Fiscal '83</u>	<u>Fiscal '84</u>	<u>% Change</u> <u>82 - 84</u>
Foster Family	\$ 7.53	\$ 9.00	\$ 8.62	14.5
Group Home	17.62	17.77	18.14	2.9
Attention Home	22.23	22.61	23.05	3.6
Receiving Home	16.82	19.57	24.77	47.2
In-State Treatment	33.11	34.06	36.68	10.7
Out-of-State Treatment	43.08	65.10	59.36	37.7
Care and Professional Trmt.	33.22	35.52	36.03	8.4
----- Total Units of Service -----				
<u>Service</u>	<u>Fiscal '82</u>	<u>Fiscal '83</u>	<u>Fiscal '84</u>	<u>% Change</u> <u>82 - 84</u>
Foster Family	227,581	209,904	230,044	1.1
Group Home	22,908	23,310	25,369	10.7
Attention Home	6,888	5,128	8,415	22.1
Receiving Home	7,063	6,918	6,651	(5.8)
In-State Treatment	42,171	40,553	32,075	(23.9)
Out-of-State Treatment	5,533	7,761	7,090	28.1
Care and Professional Trmt.	3,527	5,372	6,256	77.3
----- Total Cost of Service -----				
<u>Service</u>	<u>Fiscal '82</u>	<u>Fiscal '83</u>	<u>Fiscal '84</u>	<u>% Change</u> <u>82 - 84</u>
Foster Family	\$1,713,685	\$1,889,308	\$1,983,412 ¹	15.7
Group Home	403,638	414,269	756,157 ¹	87.3
Attention Home	153,120	115,923	193,962	26.6
Receiving Home	118,780	135,353	164,727	38.6
In-state Treatment	1,396,282	1,381,234	1,176,579	(15.7)
Out-of-state Treatment	238,362	505,264	420,691	76.5
Care & Professional Trmt.	117,167	190,815	225,371	92.3
 Total Cost	 <u>\$4,141,034</u>	 <u>\$4,632,166</u>	 <u>\$4,920,899</u>	 <u>18.8</u>

¹Includes \$295,940 in Grants to District Youth Guidance Homes

Table 29 indicates that although overall expenditures for foster care have increased 18.8 percent from fiscal 1982 to fiscal 1984, the most significant increase has occurred in the costs and services for out-of-state placements. Additionally, it should be noted that the number of services for in-state treatment and receiving homes have actually declined, and services for group homes and foster family show relatively slight increases since fiscal 1981. These data suggest that the overall increases in foster care costs are primarily caused by a programatic shift from less intensive and less costly services to more intensive and therefore, more expensive services.

The committee should request that the department explain the shift in emphasis and to justify the growth in more intensive services as being more cost effective than expansion of less intensive but earlier intervention through foster family or care and professional treatment. In particular, the department should explain the rationale for the decrease of in-state treatment and the significant growth of out-of-state treatment.

With the exception of out-of-state treatment, the grants and benefits for foster care have been calculated by inflating the fiscal 1984 cost per unit of service by 6, 4.5, and 5 percent from fiscal 1984 through fiscal 1987. The cost per service is then multiplied times the fiscal 1984 actual days of care.

The Department of Institutions anticipates that the new Billings Youth Treatment Center will be fully operational in July 1985. A number of the adolescents currently placed in out-of-state facilities can be transferred to that facility. However, because the Billings facility restricts admission to adolescents between the age of 12 and 18 years, not all out-of-state placements can be accommodated. Additionally, there are children and adolescents with highly specific treatment needs that the Billings facility may not be able to meet. Current level benefits for out-of-state treatment includes funding for 3,440 days, a reduction of 3,650 days from the fiscal 1984 actual base, equivalent to placement of 10 adolescents in Montana State treatment facility. Funding for these children is included in the Montana Youth Treatment Center and the Medicaid budget. The following table shows the current level benefits for the foster care program.

Table 30
Current Level Benefits for Foster Care Program

	<u>Fiscal 1984</u>	<u>Fiscal 1986</u>	<u>Fiscal 1985</u>
Foster Family	\$1,983,412	\$2,196,920	\$2,307,341
Group Home	756,157	833,737	872,321
Attention Home	193,962	214,835	225,606
Receiving Home	164,727	182,503	191,615
In-State	1,176,579	1,302,886	1,367,998
Out-of-State	420,691	226,180	237,497
Care and Professional	225,371	249,614	262,126
Total	<u>\$4,920,899</u>	<u>\$5,206,675</u>	<u>\$5,464,504</u>

Funding for the foster care program is a complex mix of federal child welfare, federal foster care, federal refugee, county funds and general fund. Calculation of funding by source is proportionate to the percentage of total funds that were spent during fiscal 1984. The following table shows current based benefits for foster care by funding source.

Table 31
Current Level Benefits for Foster Care by Funding Source.

<u>Fiscal Year</u>	<u>Refugee</u>	<u>Child Welfare Service</u>	<u>Federal Foster Care</u>	<u>County</u>	<u>General Fund</u>	<u>Total</u>
1986	\$ 76,520	\$234,544	\$1,113,773	\$ 716,458	\$3,065,380	\$ 5,206,675
1987	<u>80,302</u>	<u>246,137</u>	<u>1,177,515</u>	<u>750,240</u>	<u>3,210,310</u>	<u>5,464,504</u>
Total	<u>\$156,822</u>	<u>\$480,681</u>	<u>\$2,291,288</u>	<u>\$1,466,698</u>	<u>\$6,275,690</u>	<u>\$10,671,179</u>

ELIGIBILITY DETERMINATION PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	318.61	318.61	318.61	318.61	0.00
Personal Service	\$6,236,285	\$6,198,793	\$6,443,111	\$6,454,195	3.7
Operating Expense	108,493	111,690	108,493	108,493	(1.4)
Inflation	-0-	-0-	5,703	9,286	--
Total Expenditures	<u>\$6,344,778</u>	<u>\$6,310,483</u>	<u>\$6,557,307</u>	<u>\$6,571,974</u>	<u>3.7</u>
Fund Sources					
General Fund	\$ 855,687	\$ -0-	\$ 766,201	\$ 765,803	79.0
State Special	999,938	1,039,936	1,039,936	1,039,936	1.9
Federal Revenue	<u>4,489,153</u>	<u>5,270,547</u>	<u>4,751,170</u>	<u>4,766,235</u>	<u>(2.4)</u>
Total Funds	<u>\$6,344,778</u>	<u>\$6,310,483</u>	<u>\$6,557,307</u>	<u>\$6,571,974</u>	<u>3.7</u>

The Eligibility Determination Bureau includes county welfare eligibility staff, clerical staff, and an allocated portion of county welfare directors' salaries. The primary function of this bureau is to provide determination of the eligibility of recipient for food stamps, AFDC, medicaid, and general assistance.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

Budget Item	Legislature	Actual	Difference
F.T.E.	318.61	318.61	0.00
Personal Services	\$6,207,118	\$6,236,285	\$ (29,167)
Operating Expenses	<u>107,709</u>	<u>108,493</u>	<u>(784)</u>
Total Expenditures	<u>\$6,314,827</u>	<u>\$6,344,778</u>	<u>\$(29,951)</u>
Funding			
General Fund	\$ -0-	\$ 855,687	\$ (855,687)
State Special Fund	999,938	999,938	-0-
Federal Revenue	<u>5,314,889</u>	<u>4,489,153</u>	<u>825,736</u>
Total Funds	<u>\$6,314,827</u>	<u>\$6,344,778</u>	<u>\$(29,951)</u>

Personal services overexpenditures are the result of changes in the mix of administrative and eligibility technician staff with the addition of 3.89 eligibility

technicians included at a higher grade and step than the administrative positions deleted. The program was authorized \$302,726 in additional personal service costs over the fiscal 1983 current level to allow upgrades of eligibility technicians. However, the actual cost of upgrades and reclassifications have resulted in \$407,531 in additional personal service costs. Travel is 99.5 percent of the expenditure category in operating expenses. Overexpenditures in this category were less than 1 percent of the operations budget.

Current Level Adjustments

No adjustments were made to the current level budget.

ADMINISTRATIVE AND SUPPORT SERVICES

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	83.50	83.50	83.50	83.50	0.00
Personal Service	\$2,019,289	\$1,997,152	\$2,073,032	\$2,077,256	3.3
Operating Expense	788,666	849,282	829,465	714,465	(5.7)
Equipment	10,132	1,500	24,825	25,560	333.1
Inflation	-0-	-0-	41,394	78,276	--
Total Expenditures	<u>\$2,818,087</u>	<u>\$2,847,934</u>	<u>\$2,968,716</u>	<u>\$2,895,557</u>	<u>3.4</u>
<u>Fund Sources</u>					
General Fund	\$ 525,276	\$ 588,329	\$1,271,602	\$1,228,153	124.4
State Special	308,335	320,668	320,668	320,668	1.9
Federal Revenue	<u>1,984,476</u>	<u>1,938,937</u>	<u>1,376,446</u>	<u>1,346,736</u>	<u>(30.5)</u>
Total Funds	<u>\$2,818,087</u>	<u>\$2,847,934</u>	<u>\$2,968,716</u>	<u>\$2,895,557</u>	<u>3.4</u>
-----Fiscal 1986-----					
-----Fiscal 1987-----					
<u>ISSUE: Cost (Savings)</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. Agency Fiscal Control	N/A	N/A	N/A	N/A	

This program includes the director's office as well as support staff for financial analysis, statistics and research, personnel management, data processing and agency legal services. The program provides the agency's overall direction for policy development, budgeting, and coordination of services.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	83.50	83.50	0.00
Personal Services	\$1,999,992	\$2,019,289	\$(19,297)
Operating Expenses	791,198	729,793	61,405
Equipment	25,250	10,132	15,118
Legislative Audit	120,000	58,873	61,127
Total Expenditures	<u>\$2,936,440</u>	<u>\$2,818,087</u>	<u>\$118,353</u>
<u>Funding</u>			
General Fund	\$ 609,144	\$ 525,276	\$ 83,868
Millage Revenue	308,335	308,335	-0-
Federal Revenue	<u>2,018,961</u>	<u>1,984,476</u>	<u>34,485</u>
Total Funds	<u>\$2,936,440</u>	<u>\$2,818,087</u>	<u>\$118,353</u>

The \$19,297 overexpenditure of personal services was caused by a combination of not generating vacancy savings and \$6,495 in additional costs that resulted from personnel reclassification and upgrades that were not considered by the legislature.

Contract services were not fully utilized by \$9,297. Rent of \$101,123 was not expended due to the agency's purchase of data processing equipment at fiscal 1983 year end when the lease-purchase agreement expired. Repairs and maintenance was \$10,462 less than budgeted. However, offsetting some of the savings were overexpenditures in travel of \$26,688 and communications of \$18,464. Minor differences in other expenditure categories, amounting to less than 1 percent of the operating budget, account for the balance.

The \$120,000 for a legislative audit is a biennial appropriation of which \$58,873 was expended in fiscal 1984.

Current Level Adjustments

The fiscal 1986 current level includes an additional \$52,647 in contract services to cover the cost of legislative audit fees. The fiscal 1987 contract services are maintained at fiscal 1984 expenditure levels. Travel has been reduced \$15,000. Other minor adjustments were made that account for less than 1 percent of the operating budget. Total current level operation expenses for fiscal 1986 are \$829,465 and \$714,465 in fiscal 1987 before inflation. The current level budget also includes \$13,520 in each year of the biennium for the purchases of one automobile per year and other minor office equipment.

Issue 1: Agency Fiscal Control

SRS receives funds from 32 different state and federal funding sources. Their current accounting and financial procedures are not adequate to provide accurate or timely reports that track all revenues received by the department or to account for expenditures by funding source within the individual programs. Many of the grants received by SRS such as LIEAP, Vocational Rehabilitation, and Block grants, allow for carry over funds from one fiscal year to the next. However, because the department uses a budget allocation system during the fiscal year and adjustments are not to the program cost centers, it is not possible to accurately determine; (1) expenditure levels by funding source, (2) amount of carry over funds available, or (3) funding needs from one fiscal year to the next. If used appropriately, the statewide budgeting and accounting system (SBAS) is designed and has the capacity to provide timely and accurate accounting of the department's revenues and expenditures.

Because the funding levels for SRS are so large, it is particularly important that the legislature have information available that will accurately portray the current revenue and expenditure levels of the agency and allow for reasonable decisions regarding future funding needs.

Option a: Include language in the appropriation bill that directs SRS administration to establish appropriate fiscal control as a high priority of the agency and that prior to fiscal 1986, the agency must implement an accounting system that provides accurate and timely reports on the current status of all revenues and expenditures by program and specific funding source.

Option b: Request from the agency a detailed plan that includes the specific steps, time frames, and resources necessary to improve their accounting system.

Option c: Take no action and add two fiscal analysts to the LFA staff.

COUNTY ASSUMPTION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	0.00	0.00	0.00	0.00	0.00
Operating Expense	\$ 954,057	\$680,207	\$ 950,988	\$ 950,988	16.4
Equipment	196,397	-0-	44,200	-0-	(77.5)
Inflation	-0-	-0-	82,045	134,487	--
Total Expenditures	<u>\$1,150,454</u>	<u>\$680,207</u>	<u>\$1,077,233</u>	<u>\$1,085,475</u>	<u>18.1</u>
Fund Sources					
General Fund	\$ 294,756	\$278,039	\$ 235,984	\$ 240,758	(16.7)
State Special	386,700	402,168	402,168	402,168	(1.9)
Federal Revenue	<u>468,998</u>	<u>-0-</u>	<u>439,081</u>	<u>442,549</u>	<u>87.9</u>
Total Funds	<u>\$1,150,454</u>	<u>\$680,207</u>	<u>\$1,077,233</u>	<u>\$1,085,475</u>	<u>18.1</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Program Consolidation	N/A	N/A	N/A	N/A

The County Assumption Program includes a portion of the operational costs and all equipment costs associated with administration of the state's assumption of twelve county welfare programs. Personnel and benefit costs associated with the assumed county welfare programs are allocated to other divisions in the department.

Current Level Adjustments

Many of the operational costs contained in the County Assumption Program existed prior to county assumption as part of the normal operational costs of the department. In contract services, printing costs are reduced \$7,152 and photographic services have been reduced by \$11,913. The combined current level budgets of the Economic Assistance and Community Services Divisions, which administer the majority of the county welfare programs, are sufficient to absorb these expenditures.

The fiscal 1984 base expenditures were increased 2 percent before applying inflation for the 1987 biennium as Powell County was assumed in fiscal 1985. Current level operating costs of the County Assumption Program are \$1,077,233 in

fiscal 1986 and \$1,085,475 in fiscal 1987. Equipment of \$44,200 in fiscal 1986 is for copiers.

Issue 1: Program Consolidation

The County Assumption Program does not include either the personal services or benefits expenditures associated with the County Assumption Program. Many of the expenditures that are currently located in this program are directly associated with specific existing programs within the department. For example, 87.41 percent of the total contract services budget is directly attributable to programs managed by the Economic Assistance Division. All other programs have their operating expenses reported in the programs which has the staff and benefit costs. Allocation of these costs to the departmental programs where they are actually incurred, such as state medical or general assistance, should provide a more accurate accounting of the state assumption costs by program expenditure.

Option a: Request that the department present a plan which would allocate the costs that are currently located in the County Assumption Program, to the programs which have the staff and benefit costs for county assumption. This change would require no additional funds.

Option b: Take no action.

MEDICAL ASSISTANCE PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	20.99	12.99	20.99	20.99	0.00
Personal Service	\$ 571,153	\$ 374,489	\$ 622,809	\$ 623,847	31.8
Operating Expense	1,787,499	1,995,250	1,812,499	1,812,499	(4.1)
Equipment	1,471	-0-	18,000	-0-	1123.6
Inflation	-0-	-0-	152,449	247,914	--
Total Operating Costs	\$ 2,360,123	\$ 2,369,739	\$ 2,605,757	\$ 2,684,260	11.8
Non-Operating Costs	96,333,666	99,378,300	110,654,974	115,855,339	15.7
Total Expenditures	<u>\$98,693,789</u>	<u>\$101,748,039</u>	<u>\$113,260,731</u>	<u>\$118,539,599</u>	<u>15.6</u>
<u>Fund Sources</u>					
General Fund	\$37,984,575	\$ 35,831,823	\$ 39,174,690	\$ 40,719,678	8.2
State Special	1,445,520	1,819,643	1,819,643	1,819,643	11.4
Federal Revenue	59,263,694	64,096,573	72,266,398	76,000,278	20.1
Total Funds	<u>\$98,693,789</u>	<u>\$101,748,039</u>	<u>\$113,260,731</u>	<u>\$118,539,599</u>	<u>15.6</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Medicaid Waiver	\$ 406,372	\$ 789,985	\$ 416,487	\$ 822,320
2. DEFRA	\$1,704,033	\$3,291,667	\$1,684,214	\$3,325,346

The Medical Assistance Program is administered by the Economic Assistance Division and provides support for a variety of medical programs for the state's low income population. Included under the Medical Assistance Program are medical payments to nursing homes, inpatient hospitals, physicians, and other medical services that provide care and treatment to individuals who qualify for the Aid to Families with Dependent Children Program (AFDC); aged, blind or disabled; or the medically needy.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Page 44

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	12.99	20.99	(8.0)
Personal Services	\$ 375,020	\$ 571,152	\$ (196,132)
MMIS	1,000,000	1,409	998,591
Operating Expenses	2,068,206	1,786,091	282,115
Equipment	-0-	1,471	(1,471)
Total Operating Expenses	\$ 3,443,226	\$ 2,360,123	\$ 1,083,103
Grants/Benefits	93,914,332	96,333,666	(2,419,334)
Total Expenditures	<u>\$97,357,558</u>	<u>\$98,693,789</u>	<u>\$(1,336,231)</u>
<u>Funding</u>			
General Fund	\$36,813,998	\$37,984,575	\$(1,170,577)
State Special	1,445,519	1,445,519	-0-
Federal Revenue	59,098,041	59,263,695	(165,654)
Total Funds	<u>\$97,357,558</u>	<u>\$98,693,789</u>	<u>\$(1,336,231)</u>

Personal Services

Of the \$196,132 overexpended in personal services, \$154,584 was caused by the transfer of 8 FTE social workers from the Community Services Division. These positions had previously functioned as medical case managers for elderly individuals considered for nursing home placement. When the Home and Community Based Services Program was developed in the Economic Assistance Division, the positions were transferred and provide a similar case management function within that program. The remaining \$41,584 is the combined result of position upgrades and reclassifications not authorized by the legislature and vacancy savings.

MMIS

The agency was authorized \$1 million for the design, development, and implementation of a state owned and operated Medicaid Management Information System (MMIS). Currently, the state contracts with a private firm, Hancock/Dikewood of Albuquerque, New Mexico. In November 1983, SRS received only one response to its request for bids to modify and operate the MMIS system. This bid, from Hanceck/Dikewood, would have increased the annual operational costs from \$981,630 to \$1,877,500 or a total increase of \$895,870. The following table compares the cost of the contract as of November 1983, and the cost of the proposed contract.

Table 32
Annualized Operational Costs
Comparison of Dikewood fiscal 1984 contract and Bid

<u>Fund Source</u>	<u>November 1983 Contract</u>	<u>Proposed Contract</u>	<u>Difference</u>
Federal Funds (75%)	\$736,222	\$1,408,125	\$671,903
General Fund (25%)	<u>245,408</u>	<u>469,375</u>	<u>223,967</u>
Total Cost	<u>\$981,630</u>	<u>\$1,877,500</u>	<u>\$895,870</u>

Information provided by SRS

Because this bid would have increased costs by 91 percent, the bid was rejected and SRS issued a second request. The second request deviated from the original bid by allowing the bidder to operate the system on their own computer with an option for the state to transfer the system to the state computer at the end of the three year contract. Responses to this bid were not received until August, 1984, (fiscal 1985). However, the lowest bid received was \$2 million more than the \$1 million which had been requested and received from the legislature. At the September, 1984 meeting of the Legislative Finance Committee, the department notified the committee of their intent to seek a supplemental appropriation to fund the additional costs of the transfer of the MMIS. The department awarded a contract to Consultec, Inc. on September 17, 1984 for the modification and operation of the MMIS system through March 1988.

Operating Expenses

The major cause of the decrease in operating expenses was the transfer of \$240,000 to the assistance payments program. This transfer allocated costs to the Assistance Payment Program for operation of MMIS data processing related to assistance payments.

Grants and Benefits

The following table compares the fiscal 1984 grants and benefits as anticipated by the legislature and actual fiscal 1984 expenditures.

Table 33
Comparison of Legislative Anticipated and Actual Expenditures for Benefits

Benefit	Fiscal 1984		
	Anticipated	Actual	Difference
Medicaid-other	\$39,760,990	\$40,955,853 ¹	\$ (1,194,863)
Medicaid-Nursing Home	38,859,939	39,798,400 ¹	(938,461)
Medicaid-Institutions	9,895,327	10,103,536 ¹	(208,209)
State Medical	2,491,719	2,970,011	(478,292)
Indian Health	1,482,600	1,121,036	361,564
Medicare Buy-in	1,135,056	1,193,629	(58,573)
Medicaid-Waiver	165,000	67,500	97,500
DHES Surveys	123,701	123,701	-0-
Total	<u>\$93,914,332</u>	<u>\$96,333,666</u>	<u>\$ (2,419,334)</u>

¹SRS Accrual

The major cost increases are in medicaid-other, medicaid-nursing home, and state medical. However, because medicaid-other and medicaid-nursing home expenditures are based on accruals representing the agency's estimate of costs for these programs, the final expenditures for these programs may be somewhat higher or lower than indicated in Table 33.

For medicaid-other, the amount SRS recorded as expenditures for fiscal 1984 is \$40,955,853. This would show an overexpenditure of \$1,194,863. However, more recent information indicates that actual medicaid expenditures for fiscal 1984 will be \$43,586,643 or \$3,825,653 more than the fiscal 1984 appropriation and \$2,630,790 more than SRS recorded as expended.

The legislature anticipated that the average monthly AFDC caseload during fiscal 1984 would be 6,800. The actual number was 7,125. Because of uncertainties surrounding the caseload projection, the legislature established a contingency fund that SRS could use for the medicaid costs of AFDC recipients if the AFDC caseload exceeded 6,800. Medicaid-other expenses of \$1,214,159 for the additional 325 AFDC cases were paid from the contingency funds.

The \$938,461 overexpenditure for nursing homes is primarily the result of accruing cost for more nursing home days than will be provided in fiscal 1984 and the effects of a lawsuit brought against SRS by the nursing home industry to require a higher reimbursement rate.

State medical is part of the county assumption program. Overexpenditures in this area are primarily the result increasing caseloads.

Funding

Funding for administration of the medicaid program varies according to administrative category ranging from a 90/10 rate for certain aspects of medicaid data collection, to 50/50 for most other operational cost. Averaged over fiscal 1984, the match rate for administration equaled 50 percent. The current level budget has included funding for administrative programs at the rate experienced in fiscal 1984.

Funding for the medicaid benefits program is determined according to a federal formula that is based on the relationship of Montana's per capita income and the national per capita income level. The federal/state funding ratio was 61.51/38.49 in fiscal 1984 and 64.41/35.59 in fiscal 1985. The regional administration of the federal Health Care Financing Administration has indicated that the federal match rate for federal fiscal years 1986 and 1987 will be 66.38 percent. Thus, after adjusting for differences in state and federal fiscal years, the federal match rate, is expected to be 65.89 in state fiscal 1986 and 66.38 percent in state fiscal 1987.

Current Level Adjustments-Operations

The current level budget for personal services includes the 8 FTE social workers who were transferred from the Community Services Division.

Current level contract services has been reduced by \$25,000 for contract legal services. These costs are associated with various lawsuits against the program and for fair hearing claims on nursing home settlements. These contracts should either be in the Legal Affairs Bureau of the department or the department should document the need for additional legal staff.

The department has requested \$18,000 in fiscal 1986 to purchase a word processing system. This is included in the current level equipment.

Current Level Adjustments-Benefits

The following table shows the most recently calculated fiscal 1984 expenditures for benefits and current level benefits for fiscal 1986 and 1987.

Table 34
Current Level Medical Assistance Benefits for 1987 Biennium

<u>Benefit</u>	<u>Fiscal 1984</u>	<u>Fiscal 1986</u>	<u>% Change</u>	<u>Fiscal 1987</u>	<u>% Change</u>
Medicaid-other	\$43,586,643	\$ 47,557,653	9.11	\$ 50,351,756	5.88
Medicaid-Nursing Home	38,222,831	42,636,691	11.55	44,067,623	3.35
Medicaid-Institutions	9,895,327	13,688,363	38.33	14,085,559	2.90
State Medical	2,970,011	3,537,246	19.10	3,855,717	9.00
Indian Health	1,482,600	1,577,486	6.40	1,577,486	-0-
Medicare Buy-in	1,135,056	1,540,680	35.73	1,793,760	16.42
Medicaid-Waiver	165,000	-0-		-0-	-0-
DHES Surveys	<u>123,701</u>	<u>121,855</u>	<u>(1.49)</u>	<u>123,438</u>	<u>1.30</u>
Total	<u>\$97,581,169</u>	<u>\$110,659,974</u>	<u>13.40</u>	<u>\$115,855,339</u>	<u>4.69</u>

DHES Surveys--The Department of Health and Environmental Sciences conducts reviews of nursing homes to ensure they are in compliance with federal and state licensing requirements. Funding for the reviews is all federal funds that pass through SRS to DHES. The health department has requested \$121,855 in fiscal 1986 and \$123,438 in fiscal 1987. These amounts are included in the current level budget.

Indian Health Services--Administration of various federal health services on Indian reservations is funded through a federal grant that passes through SRS. The department has requested \$1,577,486 for each year of the 1987 biennium. These amounts are included in current level benefits.

Medicare Buy-In--States have the option of paying the medicare Part-B premiums for individuals qualifying for medicare but are unable to pay for the premiums themselves. If the state chooses to pay the premiums, then medical expenses and drugs are paid with federal medicare funds rather than medicaid which requires a general fund match.

The premium paid by the state is funded according to the eligibility of the individual for other assistance programs. If the individual is already receiving some form of social assistance such as AFDC or SSI, then the premium for the medicare buy-in is a combination of Title XIX and general fund at the same match used for medicaid.

The following table shows the cost of the Part B premiums from fiscal 1982 through 1984 and the projected premiums for the 1987 biennium.

Table 35
Caseload and Premium Costs for Medicare Part B Insurance

Fiscal Year	Actual			*	Current Level	
	1982	1983	1984		1986	1987
Caseload	7,653	7,377	7,423	*	7,400	7,400
Premium	\$ 11.00	\$ 13.40	\$ 13.40	*	\$ 17.35	\$ 20.20
General Fund	667,378	722,875	802,968	*	996,034	1,159,632
Federal Fund	342,818	357,197	390,658	*	544,646	634,128
Total	<u>\$1,010,196</u>	<u>\$1,080,072</u>	<u>\$1,193,626</u>	*	<u>\$1,540,680</u>	<u>\$1,793,760</u>
Percent Change	6.91	10.52	29.08		16.43	

As may be seen from Table 35, the buy-in caseload does not follow a predictable pattern. Current level funding for this program was calculated by holding the caseload constant at 7,400 per year multiplied by the estimated Part B premium for the 1987 biennium. The medicare premium is estimated to be \$17.35 in state fiscal 1986 and \$20.20 in fiscal 1987 which is a 29.08 percent increase from fiscal 1984 to fiscal 1986, and a 16.43 percent increase from fiscal 1986 to fiscal 1987.

Total funding is \$1,540,680 in fiscal 1986 and \$1,793,760 in fiscal 1987.

State Medical Assistance--As part of the state's assumption of county welfare programs, SRS has assumed administration and funding for the county level medical assistance program for 12 counties. Under the administrative rules governing the program, medical assistance is provided to individuals whose income and resources are insufficient to pay for needed medical care, but are ineligible for other governmental programs such as medicaid or medicare.

Table 36
Comparison of Medical Costs for Assumed Counties Fiscal 1983-1985
and Current Level Benefits

<u>Fiscal Year</u>	<u>Administration</u>	<u>Cost</u>	<u>% Increase</u>
Actual 1983	County	\$2,197,872	
Actual 1984	State	2,970,011 ₂	35.13
SRS Budgeted 1985 ¹	State	3,436,993 ²	15.72
Current Level 1986	State	3,537,246	2.92
Current Level 1987	State	3,855,717	3.16

¹Includes Powell County whose medical costs were \$65,145 in fiscal 1984.

²This is a budgeted amount and funds are not included in SRS's 1985 appropriation to support this expenditure level.

The 15.72 percent increase in expenditures between fiscal 1984 and fiscal 1985 cannot be attributed to the addition of Powell County. According to SRS's analysis, the significant increase in costs between fiscal 1984 and budgeted fiscal 1985, is due to an 8 percent increase in medical costs and a 10 percent increase in caseload. The department projects that the caseload will continue to grow at a rate of 10 percent per year through the 1987 biennium. The department's justification of the 10 percent growth rate is based on conversations with local welfare directors. The department has not indicated that any other counties will opt for state assumption during the 1987 biennium.

The current level budget includes a five percent growth in caseload each year from fiscal 1984 and the addition of Powell County. Medical costs have been inflated 4, 4.5, and 5 percent through the fiscal 1987 biennium. This provides benefits of \$3,537,246 for fiscal 1986 and \$3,855,717 for fiscal 1987. The state medical assistance program is entirely general fund.

Medicaid-Nursing Homes

Federal regulations governing medicaid reimbursement for nursing homes allow states to establish rates for reimbursement which the state determines are adequate to meet costs that would be incurred by efficiently and economically operated facilities. During the 1985 biennium, medicaid nursing home rates were established under a formula designed jointly by SRS and the nursing home industry. The formula is made up of two components that are calculated separately: property costs and operating costs. Included under the property costs are: (1)

age of the facility, (2) type of construction, and (3) annual inflation factors. Included as operating costs are: (1) the size of the facility, (2) the nursing care needs of the clients, (3) local wage rates, and (4) annual inflation factors. The actual medicaid payment is equal to the total rate calculated according to the formula minus patient contributions. Thus, each facility has an individual rate, but the department is able to establish an industry wide average reimbursement rate.

The reimbursement formula adopted by the department in fiscal 1982 under their administrative rules incorporated a 9 percent annual inflation factor. For the 1985 biennium, SRS was appropriated funds based on 9-6-9 percent inflation factors for the reimbursement formula: 9 percent inflation of rates from fiscal 1982 to 1983; 6 percent inflation from 1983 to 1984; and 9 percent inflation from fiscal 1984 to 1985. However, after the legislative session, SRS attempted to adopt new administrative rules that would have limited the inflation factors to 6 percent in fiscal 1984 and 7.5 percent in fiscal 1985. The nursing homes filed a class action suit against SRS to block the change and ultimately were successful in maintaining inflation factors of 9-9-9 for the first 14 months of the 1985 biennium and 9-6-9 for the last 10 months. Additionally, as part of the lawsuit settlement, SRS agreed to provide at least a 4 percent increase for nursing home operating costs and a 2.5 percent property cost increase during each year of the 1987 biennium.

Total medicaid nursing home costs are the product of the total estimated number of nursing home beds, the percent of beds filled by medicaid patients, and the reimbursement rate calculated from the reimbursement formula, less patient contribution.

The following table shows actual care days provided from fiscal 1980 through 1983; the current level, and the department estimate for fiscal 1984; and the current level and department request for the 1987 biennium.

Table 37
Nursing Home Care Days Provided and Projected

<u>Fiscal Year</u>	<u>Actual Care Days</u>	<u>Current Level</u>	<u>SRS Projected</u>	<u>Difference</u>
1980	1,144,348	- - -	- - -	- - -
1981	1,277,646	- - -	- - -	- - -
1982	1,261,931	- - -	- - -	- - -
1983	1,234,268	- - -	- - -	- - -
1984	1,236,617	1,236,617	1,263,327	26,710
1986	- - -	1,266,311	1,320,154	53,843
1987	- - -	1,266,311	1,320,154	53,843

Although SRS is projecting 56,827 additional care days for fiscal 1986 and 1987, actual care days provided have been declining since 1981. The current level budget for nursing home reimbursement includes 29,694 additional care days over the fiscal 1984 LFA estimated care days. These additional care days are included in anticipation of 149 new nursing home beds becoming available during the 1987 biennium. The current level reimbursement rate includes the department's 4 percent inflation for operation costs and a 2.5 percent inflation increase for property costs. Patient contributions are expected to increase at normal inflation rates. The following table presents the current level budget for medicaid nursing home costs.

Table 38
Current Level Benefits for Nursing Home Reimbursement

	<u>Fiscal 1984</u>	<u>Fiscal 1985</u> ²	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Per Day Cost	\$41.21	\$43.20	\$44.86	\$46.55
Patient Consultation	<u>10.30</u>	<u>10.89</u>	<u>11.19</u>	<u>11.75</u>
State Cost Per Day	\$30.91	\$32.31	\$33.67	\$34.80
Number of Care Days	<u>1,236,617</u> ¹	<u>1,259,875</u>	<u>1,266,311</u>	<u>1,266,311</u>
Nursing Home Cost	<u>\$38,223,831</u>	<u>\$40,706,561</u>	<u>\$42,636,691</u>	<u>\$44,067,623</u>

¹Projected care days.

²SRS budgeted.

Medicaid-Institutions--Institutional medicaid reimbursement is a function of care days provided, multiplied by the total institutional cost per day, minus third party collections. With the exception of the new Montana Youth Treatment Center in Billings, there is no change anticipated in institutional care days provided during the 1987 biennium. The current level benefits include \$13,688,363 in fiscal 1986 and \$14,085,559 in fiscal 1987.

Medicaid-Other--Medicaid-other includes costs of inpatient and outpatient hospital services, drugs, and other medically related services for recipients of AFDC, SSI, and the medically needy.

Because fiscal 1984 is the base year used to calculate the current level budget for the 1987 biennium it is critical that the estimate of actual fiscal 1984 expenditures be accurate. The fiscal 1984 information used in all Legislative Fiscal Analyst calculations of medicaid-other was derived from the November 1984 Medicaid Expenditure Summary that shows all services paid through October 1984 by SRS for fiscal 1984.

The total medicaid-other caseload is made up of two distinct groups: AFDC and the aged, blind, and disabled. Because of differences in service utilization and the cost per service for each group, their benefits are analyzed separately. The services provided and costs per service incurred in fiscal 1984, were estimated based on the time lag of bills for fiscal 1983. Table 39 presents an example of the calculation of the AFDC inpatient services for fiscal 1984.

Table 39
Calculation of Estimated AFDC Inpatient Services for Fiscal 1984

<u>Fiscal 1983</u>	<u>Oct. 1983</u>	<u>Oct. 1984</u>	<u>% of FY 1983 Service Paid by Oct. 1984</u>	
Inpatient Services	64,348	- 66,743	<u>96.41%</u>	
<u>Fiscal 1984</u>	<u>Oct. 1984</u>	<u>Percentage Paid in FY '83</u>	<u>Estimated FY 84 Inpatient Service</u>	
Inpatient Services	67,871	- 96.41	=	<u>70,398</u>

As shown in Table 39, three months after the close of fiscal 1983, 96.41 percent of the inpatient services billed had been paid. Using a similar procedure

for each service and cost per service, the current level fiscal 1984 base was established. The following table compares the SRS and current level fiscal 1984 medicaid-other expenditures for the AFDC and SSI related recipients.

Table 40
Comparison of SRS and Current Level Fiscal 1984 Expenditure Base

<u>Recipient</u>	<u>- - - SRS - - -</u>	<u>- Current Level -</u>	<u>% Difference</u>
AFDC	\$21,215,359	\$22,501,494	6.06
SSI	<u>19,740,494</u>	<u>21,083,784</u>	<u>6.80</u>
Total Cost	<u>\$40,955,853</u>	<u>\$43,585,278</u>	<u>6.42</u>

As shown in Table 40, the SRS estimate of fiscal 1984 costs understates the expenditures for fiscal 1984 by 6.4 percent; and if used as the base for projecting the 1987 biennium, would result in underfunding of the program.

Aid to Families with Dependent Children

Basically, medicaid costs are determined by the interaction of three factors: (1) the number of medicaid eligible clients (caseload); (2) the cost of the services (price); and (3) the number of services each recipient receives (utilization). A change in any one of these factors will directly affect the total cost of the services.

The following table shows the fiscal 1983 and 1984 services, cost per service, and total medicaid costs for AFDC. The AFDC average monthly caseload increased from 6,312 in fiscal 1983 to 7,125 in fiscal 1984, a 12.88 percent increase.

Table 41
Comparison of Medicaid-other Service Provided and
Cost Per Service for AFDC Recipients

- - - - - Services - - - - -				- - - - Cost Per Service - - - -		
<u>Service</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>	<u>% Change</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>	<u>% Change</u>
Inpatient	66,743	70,398	5.47	\$140.02	\$155.88	11.32
Outpatient	47,967	53,594	11.73	26.06	26.31	0.95
Physician	187,533	192,811	2.81	23.20	25.65	10.56
Other Prac.	69,026	73,242	6.11	13.88	13.73	(1.08)
Drugs	86,293	94,665	9.70	8.25	9.10	10.30
Dental	79,878	83,637	4.70	21.68	21.07	(2.81)
Other	124,053	157,418	26.89	10.22	9.81	(4.01)
- - - - - Total Cost - - - - -						
<u>Service</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>	<u>Percent</u>		<u>Change</u>	
Inpatient	\$ 9,345,851	\$10,973,640	17.42			
Outpatient	1,250,308	1,410,058	12.77			
Physician	4,351,723	4,945,602	13.65			
Other Prac.	958,246	1,004,240	4.79			
Drugs	712,426	861,452	20.92			
Dental	1,732,502	1,762,232	1.72			
Other	1,268,101	1,544,270	21.78			
Total Cost	<u>\$19,619,157</u>	<u>\$22,501,494</u>	<u>14.69</u>			

Table 41 shows the relationship between the total services and the cost per service. For dental service, although the total number of services provided increased 4.7 percent, the total cost of the service only rose 1.72 percent due to the 2.8 percent drop in per service costs. More services may be provided if the cost per unit of service remains low. However, for inpatient services, the number of services provided increased 5.47 percent and the cost per service increased 11.32 percent. Consequently, the total cost of inpatient services increased 17.42 percent.

To determine the utilization rate, the average number of AFDC clients per month who receive a service is divided by the total average monthly caseload. The following table shows the calculation for inpatient hospital services.

Table 42
Calculation of Fiscal 1984 Utilization Rate for
Inpatient Services-AFDC Recipients

Total Annual Service Recipients	6,846
Divided by 12 months	÷ <u>12</u>
Average Monthly Service Recipients	570.5
Divide by Average Monthly Caseload	÷ <u>7,125</u>
Annual Percentage Utilization Rate	<u><u>8.00</u></u>

The 8 percent utilization rate means that in an average month during fiscal 1984, 8 percent of the total AFDC caseload of eligible clients received inpatient service. Table 43 shows the utilization rate for fiscal 1983 and 1984 by service category.

Table 43
Comparison of AFDC Utilization Rate by Service Category

<u>Utilization Rate</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>	<u>% Change</u>
Inpatient	8.69	8.00	(7.94)
Outpatient	24.35	23.64	(2.91)
Physician	107.68	105.93	(1.62)
Other Practitioners	14.89	14.88	(0.06)
Drugs	61.48	60.72	(1.23)
Dental	26.52	26.08	(1.66)
Other	21.07	21.88	3.84

As was described in the section on Assistance Payments, the projected AFDC average monthly caseload for fiscal 1986 is 7,365 and 7,485 for fiscal 1987. Once a projected caseload has been established, the value of determining the utilization rate is that it provides a means of predicting the total number of future services. Calculation of the total services is made by: (1) multiplying the average monthly caseload by the utilization rate to determine the average number of service recipients per month, (2) multiplying the average number of recipients by the number of services per recipient to determine the average number of services provided per month, (3) multiplying the average number of monthly services by

12 to arrive at the total annual services needed. The following table shows this calculation for inpatient services for fiscal 1986.

Table 44
Calculation for Annual Number of Inpatient Service Units for fiscal 1986

Average Monthly Caseload	7,365
Utilization Rate	<u>x .08</u>
Average Monthly Recipients	589
Average Services per Recipient	<u>x10.22</u>
Average Monthly Services	6,019
Multiply by 12 months	<u>x 12</u>
Annual Service Needs for AFDC	<u><u>72,235</u></u>

Applying the same methodology as described in Table 44 to each service category yields the total medicaid-other service for AFDC.

Total medicaid costs are the product of the services multiplied by the price per service. Changes in the price per service are a function of a number of different factors including advances in technology, changes in the mix of services provided, as well as general inflation. Current level benefits were calculated by inflating the fiscal 1984 price per service 4, 4.5, and 5 percent through fiscal 1987.

In an attempt to control rising health care costs, the department has indicated their intent to implement a DRG prospective payment system to control hospital based services. Should the trend shift to significant increases in either utilization or costs, the department currently has the statutory authority to limit the amount, duration, and scope of services to remain within legislatively appropriated levels. The current level benefits provide for some growth in price but does not anticipate the rate of growth that has been experienced in overall health care costs during the past decade. With appropriate management by the department of service utilization and price control, current level benefits are adequate to meet Montana's medicaid needs.

The following table shows the current level of services, cost per service, and total AFDC medicaid costs for the 1987 biennium.

Table 45
Current Level Benefits for AFDC Medicaid

<u>Services</u>	- - - - Fiscal 1986 - - - -			*	- - - - Fiscal 1987 - - - -		
	<u>Units</u>	<u>Cost/Service</u>	<u>Total Cost</u>		<u>Units</u>	<u>Cost/Service</u>	<u>Total Cost</u>
Inpatient	72,235	\$169.40	\$12,236,602	*	73,339	\$177.87	\$13,044,758
Outpatient	55,364	28.59	1,582,851	*	56,254	30.02	1,688,751
Physician	198,483	27.88	5,533,702	*	201,714	29.27	5,904,162
Other Prac.	75,624	14.92	1,128,310	*	76,866	15.66	1,203,721
Drugs	97,668	9.88	964,964	*	99,263	10.37	1,029,355
Dental	86,400	22.89	1,977,696	*	87,840	24.03	2,110,795
Other	162,683	10.76	<u>1,750,469</u>	*	165,307	11.30	<u>1,867,968</u>
Total			<u>\$25,174,594</u>				<u>\$26,849,510</u>

Aged, Blind, and Disabled

Table 46 shows the fiscal 1983 and 1984 services, cost per service, and total cost for Aged, Blind and Disabled. The average monthly caseload was 10,265 in fiscal 1983 and 10,378 in fiscal 1984.

Table 47
Comparison of Medicaid-other Services Provided and Cost Per Service
Aged, Blind and Disabled

Service	Services			Cost Per Service		
	Fiscal 1983	Fiscal 1984	% Change	Fiscal 1983	Fiscal 1984	% Change
Inpatient	47,452	37,168	(21.67)	\$196.63	\$215.45	9.57
Outpatient	32,163	17,240	(46.40)	33.89	36.33	7.20
Physician	109,896	103,545	(5.78)	18.34	19.02	3.71
Other Prac.	36,562	41,668	13.97	12.45	12.76	2.48
Drugs	342,642	347,353	1.37	9.78	11.05	12.98
Dental	19,903	19,266	(3.20)	31.35	30.68	(2.13)
Other	698,080	880,250	26.09	5.67	6.27	10.58
----- Total Cost -----						
Service	Fiscal 1983		Fiscal 1984		% Change	
Inpatient	\$ 9,330,721		\$ 8,007,845		(14.17)	
Outpatient	1,090,313		626,329		(42.55)	
Physician	2,016,099		1,969,426		(2.32)	
Other Prac.	455,433		531,684		16.74	
Drugs	3,346,057		3,838,251		14.70	
Dental	624,018		591,081		(5.28)	
Other	3,959,929		5,519,168		39.37	
Total	<u>\$20,822,570</u>		<u>\$21,083,784</u>		<u>1.25</u>	

There was a significant change in services between fiscal 1983 and 1984. Inpatient and outpatient hospital services decreased while there was an increase in services for other practitioners and other. With the exception of dental services, the cost per service increased for all categories with the largest increase being in drugs and inpatient care. Because of declining inpatient and outpatient hospital care, the overall cost of medicaid-other for the aged, blind, and disabled only incurred a 1.25 percent increase between fiscal 1983 and 1984.

Table 48 shows the utilization rate by service category for the aged, blind, and disabled.

Table 48
Comparison of Utilization Rate for Medicaid Services by Service Category for
Aged, Blind, and Disabled

<u>Utilization Rate</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>	<u>% Change</u>
Inpatient Hospital	3.71	2.00	(46.09)
Outpatient Hospital	12.86	4.51	(64.93)
Physician	26.48	26.78	(1.13)
Other Practitioners	3.57	5.26	47.34
Drugs	71.73	73.18	2.02
Dental	5.10	5.50	7.84
Other	48.47	58.52	20.73

Over the past three fiscal years, the aged, blind, and disabled case load has remained fairly constant. The Department of SRS projects that the caseload will not increase during the 1987 biennium.

The fiscal 1987 biennium current level benefits for the aged, blind and disabled medicaid-other were calculated by holding the fiscal 1984 caseload and utilization rate constant through the 1987 biennium and inflating the price per service at 4, 4.5, and 5 percent through fiscal 1987. The following table shows the current level services, cost per services, and total aged, blind and disabled medicaid costs for the 1987 biennium.

Table 49
Current Level Benefits for Aged, Blind, and Disabled Medicaid

<u>----- Fiscal 1986 -----</u>					<u>----- Fiscal 1987 -----</u>		
<u>Services</u>	<u>Unit</u>	<u>Cost/Service</u>	<u>Total Cost</u>	*	<u>Units</u>	<u>Cost/Service</u>	<u>Total Cost</u>
				*			
Inpatient	35,006	\$234.15	\$ 8,196,608	*	36,581	\$235.27	\$ 8,606,438
Outpatient	17,057	39.48	673,408	*	17,058	41.45	707,078
Physician	103,035	20.67	2,129,741	*	103,051	21.70	2,236,228
Other Prac.	41,600	13.85	576,162	*	41,607	14.54	604,970
Drugs	347,720	12.00	4,172,646	*	347,720	12.60	4,381,278
Dental	19,191	33.33	639,621	*	19,188	35.00	671,638
Other	880,304	6.81	5,994,873	*	880,306	7.15	6,294,616
Total Cost			<u>\$22,383,059</u>				<u>\$23,502,246</u>

Because appropriation of medicaid-other includes both AFDC and aged,

blind, and disabled, the following table is a comparisons of the fiscal 1984 actual expenditures and the 1987 biennium current level benefits.

Table 50
Comparison of Total Medicaid Other Costs for Fiscal 1984 and
1984 and the Current Level Budget for Fiscal 1986 and 1987

<u>Total</u>	<u>Fiscal 1984</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Inpatient	\$18,981,485	\$20,433,210	\$21,651,196
Outpatient	2,036,387	2,256,259	2,395,829
Physician	6,915,027	7,663,443	8,140,390
Other Practitioners	1,537,295	1,704,472	1,808,691
Drugs	4,699,701	5,137,610	5,410,633
Dental	2,353,311	2,617,317	2,782,433
Other	7,063,437	7,745,342	8,162,584
Total	<u>\$43,586,643</u>	<u>\$47,557,653</u>	<u>\$50,351,756</u>

Issue 1: Medicaid Waiver

SRS was appropriated \$607,018 for administration of the medicaid waiver during the 1985 biennium. As projected by the department, the waiver would provide home and community based services for the elderly as an alternative to institutional or nursing home care. The number of individuals requiring nursing home care would be reduced and the costs of providing these services would be 80 percent or less of the cost of nursing home care. The department stated that implementation of the waiver program would reduce total costs for long-term care.

The department's request for medicaid reimbursement for nursing homes during the 1987 biennium does not indicate any savings in nursing home costs that are attributable to the medicaid waiver program.

Option a: Prior to authorizing additional funds for this program, the department should document for the subcommittee the population that has received service under the Home and Community based waiver program, the cost per client for service, and the savings the department indicated they would realize from the program. The legislature could fund the program at the level of projected savings.

Option b: Fund the program at the department's requested level. This option would require \$406,372 in general fund for fiscal 1986 and \$416,487 in fiscal 1987 and \$789,985 of federal funds in fiscal 1986 and \$822,320 federal funds

in fiscal 1987.

Option c: Do not fund the program.

Issue 2: Deficit Reduction Act of 1984

The Deficit Reduction Act of 1984 (DEFRA) was passed by Congress to provide additional assistance to low income families. Regulations of the act became effective October 1984. The department estimates that the additional costs associated with changes in client eligibility regulations as a result of DEFRA will be \$2,540,049 in fiscal 1985, \$4,995,700 in fiscal 1986, and \$5,009,560 in fiscal 1987. There are three major changes in eligibility that will affect the medicaid-other budget: increase in the need standard; coverage for pregnant women and young children; and prolonged disregards of earned income. The following table shows the department's estimate of the impact of these changes on the medicaid budget.

Table 51
Fiscal 1987 Biennium Impact of DEFRA

<u>Program Change</u>	<u>Fiscal 1985</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
185 Percent Need Standard	\$ 220,000	\$ 292,000	\$ 292,000
9 Month Disregard Extension	1,396,000	3,344,000	3,344,000
Children and Pregnant Women	924,049	1,359,700	1,373,560
Total Cost	<u>\$2,540,049</u>	<u>\$4,995,700</u>	<u>\$5,009,560</u>

The gross monthly income standard is increased from 150 percent to 185 percent of the state's current need standard. The department estimates that an additional 146 families will become eligible for medicaid benefits as a result of the change in the income standard. The annual cost to medicaid for these additional cases is project to be \$292,000. SRS has indicated they believe most families who qualify for benefits under the increased need level will be working families and their medical cost should be lower than those of single parent families.

States must now disregard for nine months 30 1/3 percent of earned income for AFDC recipients who would otherwise not qualify for AFDC if all of their earnings were considered. The department's estimate is that 186 cases would be come eligible each month until the total number of eligible cases reached 1,672.

At an average cost per case of \$2,000, the annual cost is expected to be \$3,344,000.

DEFRA changes in eligibility regulations also requires states to provide medicaid coverage to pregnant women and young children. The department estimates this impact to be \$1,013,200 in annual additional medicaid costs for pregnant women. The majority of these costs will be for costs associated with birth. However, these costs are partially offset by a reduction in state funds that had previously been used to pay for birth in assumed counties for pregnant women who received general assistance but did not qualify for medicaid.

Under DEFRA regulations, children who are minors in a two parent home are now eligible for AFDC and thus medicaid coverage. These children had not been covered by medicaid since the elimination, as requested by SRS, of employed parents from AFDC in the 1983 special session. According to the department, after October 1, 1983, there were approximately 220 births to individuals qualifying for either general assistance or who would meet the new AFDC income standards. These additional eligible children would cost approximately \$360,000 per year in fiscal 1986 and \$541,255 in fiscal 1987.

Option a: The legislature may include the department's estimated impact of DEFRA in the 1987 biennium request as part of the regular appropriation for medicaid-other. The additional general fund required will be \$1,704,033 in fiscal 1986 and \$1,684,214 in fiscal 1987.

Option b: Due to the uncertainty regarding projection of the AFDC caseload, the 1983 legislature established a category fund for the 1985 biennium that the department could only use if the AFDC caseload exceeded 6,800. Because there is no method to accurately predict the costs associated with DEFRA, the legislature may wish to establish a similar contingency fund that is restricted to costs directly attributable to DEFRA regulations. Using the department's estimate of the DEFRA costs, the contingency fund would require \$1,704,033 of general fund in fiscal 1986, \$1,684,214 in general fund for fiscal 1987, and the authority for appropriate matching federal funds of \$3,291,667 in fiscal 1986 and \$3,325,346 in fiscal 1987.

AUDIT AND PROGRAM COMPLIANCE DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	40.00	40.00	40.00	40.00	0.00
Personal Service	\$ 944,175	\$ 932,861	\$ 986,713	\$ 987,818	4.6
Operating Expense	163,436	200,776	163,436	163,436	(10.2)
Equipment	7,667	1,560	6,048	1,437	(18.9)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>5,448</u>	<u>10,906</u>	<u>---</u>
Total Operating Costs	\$1,115,278	\$1,135,197	\$1,161,645	\$1,163,597	3.3
Non-Operating Costs	<u>106,820</u>	<u>98,083</u>	<u>100,003</u>	<u>100,003</u>	(2.4)
Total Expenditures	<u>\$1,222,098</u>	<u>\$1,233,280</u>	<u>\$1,261,648</u>	<u>\$1,263,600</u>	<u>2.8</u>
<u>Fund Sources</u>					
General Fund	\$ 457,551	\$ 464,302	\$ 588,303	\$ 585,214	27.2
Federal Revenue	<u>764,547</u>	<u>768,978</u>	<u>673,345</u>	<u>678,386</u>	(16.6)
Total Funds	<u>\$1,222,098</u>	<u>\$1,233,280</u>	<u>\$1,261,648</u>	<u>\$1,263,600</u>	<u>2.8</u>

The Audit and Program Compliance Division is responsible for auditing contractors, counties, and food stamp issuance offices; performing reviews of public assistance cases to monitor eligibility determination; receiving overpayments of public assistance and medicaid from recipients, providers, and third party payers such as insurance companies; and monitoring the claims processing contractor to ensure that medicaid claims are properly paid. To perform these functions, the division is comprised of two bureaus--the Audit Bureau and the Program Integrity Bureau.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Page 65

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	40.00	40.00	0.00
Personal Services	\$ 934,218	\$ 944,174	\$(9,956)
Operating Expenses	191,078	163,431	27,647
Equipment	1,560	7,667	(6,107)
Grants	<u>93,537</u>	<u>101,117</u>	<u>(7,580)</u>
Total Expenditures	<u>\$1,220,393</u>	<u>\$1,216,389</u>	<u>\$ 4,004</u>
<u>Funding</u>			
General Fund	\$ 461,509	\$ 457,545	\$ 3,964
Federal Revenue	<u>758,884</u>	<u>758,844</u>	<u>40</u>
Total Funds	<u>\$1,220,393</u>	<u>\$1,216,389</u>	<u>\$ 4,004</u>

The \$9,956 overexpenditure in personal services is primarily the result of the program's not being able to generate sufficient vacancy savings to meet the pay plan requests. The overexpenditures in personal services and equipment were offset by not fully utilizing travel of \$8,524, supplies of \$11,733 surplus, and contract services and communications of approximately \$3,000.

The overexpenditure in equipment is due to the purchase of \$6,000 of data processing equipment. The \$7,580 overexpenditure in grants resulted from an additional federal grant award for investigation of food stamp fraud. The funds pass through SRS as grants to the Department of Revenue which actually conducts the fraud investigations.

Current Level Adjustments

The current level budget includes actual expenditures for fiscal 1984 in personal services and operations expenses. Equipment included in the current level is \$6,048 in fiscal 1986 for purchase of a microfiche reader/printer and \$1,437 in fiscal 1987 for office equipment.

VOCATIONAL REHABILITATION

Budget Item	Actual	Appropriated	---Current Level---		% Change 1985-87 Biennium
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	
F.T.E	68.15	68.85	65.75	65.75	(4.0)
Personal Service	\$1,389,749	\$1,467,054	\$1,454,856	\$1,457,415	1.9
Operating Expense	359,592	345,884	325,261	325,261	(7.8)
Equipment	3,810	-0-	3,810	3,810	100.0
Inflation	-0-	-0-	19,359	32,419	-0-
Total Operating Costs	\$1,753,151	\$1,812,938	\$1,803,286	\$1,818,905	1.5
Non-Operating Costs	2,821,754	2,847,151	3,066,682	3,220,016	10.8
Total Expenditures	<u>\$4,574,905</u>	<u>\$4,660,089</u>	<u>\$4,869,968</u>	<u>\$5,038,921</u>	<u>7.2</u>
Fund Sources					
General Fund	\$ 465,264	\$ 613,207	\$ 571,810	\$ 584,473	7.2
State Special	586,481	663,629	517,647	554,080	(14.2)
Federal Revenue	<u>3,523,160</u>	<u>3,383,253</u>	<u>3,780,511</u>	<u>3,900,368</u>	<u>11.2</u>
Total Funds	<u>\$4,574,905</u>	<u>\$4,660,089</u>	<u>\$4,869,968</u>	<u>\$5,030,921</u>	<u>7.2</u>

ISSUE: Cost (Savings)	-----Fiscal 1986-----		-----Fiscal 1987-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Food Service Contract	\$6,000	\$24,000	\$6,000	\$24,000

The Vocational Rehabilitation Program provides services to vocationally handicapped persons of employable age with the intent of returning those individuals to gainful employment. Under guidelines of the Federal Vocational Rehabilitation Act, program emphasis is on serving the severely disabled. Services provided include diagnostic evaluation, vocational training, physical restoration, counseling, job placement, and follow-up. To qualify for federal funding under PL 95-602, there must be a reasonable expectation that services provided by the Vocational Rehabilitation Agency will eventually restore the individual to gainful employment. To qualify for federal funding under Title III and XVI of the Social Security Act, the client must actually be restored to employment and have performed substantial gainful activity for a continuous period of not less than 9 months.

The Vocational Rehabilitation Division also administers a program to rehabilitate injured workers of employers enrolled under the state's Workers' Compensation Act. Funding for this aspect of the division's program is derived from as-

sessments made by the Department of Labor and Industry.

The division administers an Extended Employment Program for the very severely disabled who, because of the severity of their disability, are not eligible for the federally funded Vocational Rehabilitation Program. This program subsidizes overhead costs incurred in vocational rehabilitation sheltered workshops and work activity centers.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	68.85	68.15	0.7
Personal Services	\$1,468,931	\$1,389,749	\$ 79,182
Operating Expenses	324,469	359,592	(35,123)
Equipment	-0-	3,810	(3,810)
Total Operating Costs	\$1,793,400	\$1,753,151	\$ 40,249
Benefits	2,718,822	2,821,754	\$(102,932)
Total Expenditures	<u>\$4,512,222</u>	<u>\$4,574,905</u>	<u>\$(62,683)</u>
<u>Funding</u>			
General Fund	\$ 512,989	\$ 465,264	\$47,725
State Special	626,065	586,481	39,584
Federal Revenue	3,373,168	3,523,160	(149,992)
Total Funds	<u>\$4,512,222</u>	<u>\$4,574,905</u>	<u>\$(62,683)</u>

The \$79,182 surplus in personal services is primarily due to three clerical and two rehabilitative counselor positions that were vacant throughout fiscal 1984. Overexpenditures in operating expenses resulted primarily from a \$30,000 contract for food service training that had not been considered or authorized by the 1983 legislature. Supplies and materials was overspent by \$8,302 principally due to purchase of office supplies and special forms. The program purchased \$3,810 worth of office equipment that was not authorized by the legislature. The \$102,932 overexpended in grants/benefits was made possible by a \$150,000 program transfer of federal spending authority from the medicaid assistance payments, and the administration and support programs.

Current Level Adjustments

Personal services is reduced by 2.6 FTE. One rehabilitation counselor position equivalent to .85 FTE has been vacant throughout fiscal 1983, fiscal 1984, and through the first quarter of fiscal 1985. One FTE clerical position has been vacant since fiscal 1983. Two clerical positions totaling .75 FTE are transferred to Visual Services to more accurately reflect actual work load responsibility.

The fiscal 1984 appropriation for operating expenses totaled \$324,469. Actual expenditures in fiscal 1984 were \$359,592 or 10.8 percent above appropriated funds and 11.6 percent over operating expenditures for fiscal 1983. Current level operating expenses for contracted services are reduced \$30,000 for costs associated with a new training program that was not considered or approved by the 1983 legislature. Office equipment repair was reduced by \$2,200 to reflect lower repair costs that should be realized with the purchase of new office equipment. A one time expense of \$2,090 for job candidate recruitment was also eliminated. Before inflation operating expenses are equal to those appropriated for fiscal 1984.

Current level includes \$3,810 for equipment. This is equivalent to the amount expended by the program in fiscal 1984 and it is anticipated that a similar amount will be spent in fiscal 1985.

Program benefits totaled \$2,821,754 in fiscal 1984 or \$102,932 more than anticipated by the 1983 session. For fiscal 1986 and 1987, actual benefits have been inflated 8.6 percent for fiscal 1986 and 5 percent for fiscal 1987. This increase adds \$111,866 in fiscal 1986 and \$117,459 in fiscal 1987 more for benefits than if the benefits rate had been calculated from current level.

Funding

This program receives funds from "Section 110" of the Vocational Rehabilitation Act, Supplemental Security Income (SSI), Social Security Disability Income (SSDI), Job Training Partnership Act (JTPA), and the Industrial Accident and Rehabilitation Account (IARA) on an 85/15 ratio. Section 110, SSI, and SSDI funds are shared with the Visual Services Program. Section 110 funds require a 20 percent state match.

Table 1 shows the actual expenditure of funds by source for fiscal 1984 and the allocation of funds for the 1987 biennium current level budget.

Table 52
Funding of the Vocational Rehabilitation Program

<u>OPERATIONS AND SERVICES</u>	<u>FY 1984</u>	<u>FY 1986</u>	<u>FY 1987</u>
SSI	\$ -0-	\$ 21,500	\$ 29,750
SSDI	-0-	42,500	42,500
Training	13,052	20,000	21,250
Training Match	1,450	2,200	2,361
Section 110	1,448,891	1,373,669	1,378,435
General Fund	289,758	343,417	344,609
Total Operating & Services	<u>\$1,753,151</u>	<u>\$1,803,286</u>	<u>\$1,818,905</u>
<u>GRANTS AND BENEFITS</u>			
Section 110	\$1,644,174	\$1,972,842	\$2,078,433
Industrial Accident	586,481	517,647	554,080
Workers' Compensation	3,265	-0-	-0-
CETA & Job Training	413,778	350,000	350,000
General Fund	174,056	226,193	237,503
Total Benefits	<u>\$2,821,754</u>	<u>\$3,066,682</u>	<u>\$3,220,016</u>

For the grants and benefits portion, the IARA funds are used as the required state match for Section 110 funds. The extended employment program is completely funded by general funds as there is no expectation that individuals participating in this program will ever achieve gainful competitive employment.

Issue 1: Food Service Contract

During fiscal 1984, the program initiated a \$27,969 contract to provide a food service training program. The agency has requested \$30,000 per year of the 1987 biennium to continue the program. The purpose of the contract is "to train disabled individuals in an aspect of food service training: with a specialty training in the Randolph Shephard Vending Stand Program." During fiscal 1984, 5 individuals have received training in the program, 4 were visually impaired and 1 was otherwise disabled.

Option a: Continue the contract program. Total costs would be \$24,000 federal vocational rehabilitation funds and \$6,000 general funds annually.

Option b: Require the division to allocate the costs of the program between the Vocational Rehabilitation Program and Visual Services Program proportionate to the client mix of the program.

Option c: Do not fund the program.

DISABILITY DETERMINATION PROGRAM

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	42.63	41.13	41.13	41.13	(1.8)
Personal Service	\$ 995,331	\$ 968,906	\$ 974,454	\$ 976,400	(0.7)
Operating Expense	777,124	1,165,595	834,789	875,399	(11.9)
Equipment	74,332	-0-	18,370	20,207	(48.1)
Inflation	-0-	-0-	15,926	26,360	-0-
Total Operating Cost	\$1,846,787	\$2,134,501	\$1,843,539	\$1,898,366	(6.0)
Non-Operating Costs	38,393	51,772	43,301	45,985	(1.0)
Total Expenditures	<u>\$1,885,180</u>	<u>\$2,186,273</u>	<u>\$1,886,840</u>	<u>\$1,944,351</u>	<u>(5.9)</u>
<u>Fund Sources</u>					
Federal Revenue	<u>\$1,885,180</u>	<u>\$2,186,273</u>	<u>\$1,886,840</u>	<u>\$1,944,351</u>	<u>(5.9)</u>
-----Fiscal 1986-----					
ISSUE: Cost (Savings)	General Fund		Other Funds		
					-----Fiscal 1987-----
1. Medically needy Determination	-0-	-0-	-0-	-0-	-0-
2. Limit Transfer Authority	-0-	-0-	-0-	-0-	-0-
3. Contracted Medical	-0-	\$324,202	-0-	\$342,428	
4. Evidential Hearings FTE	-0-	\$174,297	-0-	\$174,297	

The Disability Determination Program is a federally funded program that conducts disability determinations of Montana applicants for Supplemental Security Income (SSI) and Supplemental Security Disability Income (SSDI) benefits, and for individuals receiving benefits under the state Medical Needy Program. The Disability Determination Bureau also reviews current cases to determine if they should remain on or be suspended from the SSI or SSDI programs.

Fiscal 1984: Comparison of Anticipated to Actual Expenses

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature. The major differences between authorized and actual expenditures were in operating expenses. Contracted services were not fully utilized due primarily to a reduction in contracted medical

examinations. The reduction in medical examinations also accounts for the under expenditure in grants/benefits which is used to pay the travel costs of medical examinations for applicants. The \$29,073 overexpenditure of the equipment budget was for the purchase of data processing equipment. The budget amended funds of \$44,427 were used to hire an additional 1.5 FTE to provide disability determination evidentiary hearings as requested by the Department of Health and Human Services.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	41.13	41.13	0.00
Personal Services	\$ 970,817	\$ 960,890	\$ 9,927
Operating Expenses	989,317	771,358	217,959
Equipment	<u>41,039</u>	<u>70,112</u>	<u>(29,073)</u>
Total Operating Costs	\$2,001,173	\$1,802,360	\$198,813
Recipient Travel Costs	<u>48,160</u>	<u>38,393</u>	<u>9,767</u>
Total Costs and Funding	<u>\$2,049,333</u>	<u>\$1,840,753</u>	<u>\$208,580</u>
<u>Additions:</u>			
Budget Amendments	-0-	\$ 44,427	\$(44,427)

Current Level Adjustments

There were no significant adjustments to the current level base. The equipment requested by the agency is for additional communications equipment, word processing equipment, and the necessary office furniture to accommodate the new word processing equipment. Total equipment requested for the 1987 biennium is \$38,577.

Although the majority of funds for the program are federal, some general fund support is indirectly provided through the contract with the Economic Assistance Division of SRS for disability determination for the medically needy program. Because these contract funds are a 50/50 mix of federal medicaid and general fund, the per case cost and the number of cases examined will effect the general fund. Since other than this one contract the budget and program function is totally federal, the budget and cost increases have not been extensively reviewed. Therefore, to control the general fund costs, the 1983 legislature limited the cost per claim and the number of claims. The cost increase budgeted was an increase over the estimated fiscal 1983 cost of \$195.00, or \$206.70 for fiscal 1984 and \$219.10 for fiscal 1985. During fiscal 1984, 195 cases were processed at an average cost of \$205.94.

The 1983 legislature also included language in the appropriation bill to limit the department's authority to transfer FTE or appropriation authority to other programs, so if excess federal spending authority or FTE were included, there would be no budget impact on other programs. Similar restrictions were not included in the appropriation bill for the 1983 biennium and the department had transferred both FTE and spending authority to other programs.

Issue 1: Cost per Medically Needy Determination Case

To control the amount of general funds that were used to support the Disabilities Determination Bureau, the 1983 legislature limited the average cost per case to an inflationary increase over the fiscal 1983 estimated cost. Similar language could be included in 1987 biennium appropriation bill that would limit the average cost per case to an inflationary increase over the fiscal 1985 costs.

Option a: Place a limitation on the increase in the cost per determination case for the 1987 biennium. The average cost per determination for fiscal 1986 would be \$229.21 and \$244.11 for fiscal 1987.

Option b: Place no restriction on the average cost per determination.

Issue 2: Limit Transfer Authority

To control spending and FTE authority within the program, the 1983 legislature included language in the appropriation bill to limit the department's authority to transfer FTE or spending authority from the Disabilities Determination Programs: "No FTE or spending authority may be transferred into or from the disabilities determination program." Similar language could be included in the 1987 biennium appropriation bill.

Option a: Include language specifically limiting this program's transfer authority.

Option b: Do not include specific language limiting this program's transfer.

Issue 3: Contracted Medical Services

The program has requested \$948,968 in spending authority for contracted medical services during fiscal 1986 and \$1,007,804 in fiscal 1987. Their request is based upon a 6.2 percent inflation of the fiscal 1985 appropriation. However, actual expenditures in this category have been stable since fiscal 1982.

Table 53
Expenditures for Contracted Medical

Fiscal Year		Expenditure	
FY 82 -	Actual	\$520,367	
FY 83 -	Actual	\$574,180	
FY 84 -	Actual	\$561,335	
FY 86 -	Current level	\$624,766	Requested \$948,968
FY 87 -	Current level	\$665,376	Requested \$1,007,804

Based upon prior expenditure history, there does not appear to be justification for the additional spending authority. Because the appropriations are made for the total operational costs of a program, the excess authority requested for contracted services significantly inflates the program's overall spending authority and may result in overexpenditures in other budgeted categories during the 1987 biennium.

Option a: Grant the contracted medical services only an inflation increase. This would result in an authorization of \$624,766 during fiscal 1986 and \$665,376 during fiscal 1987.

Option b: Allow the program the requested amount for contracted medical services. This adds an additional \$324,202 in fiscal 1986 and \$342,428 in fiscal 1987 above the current level amount shown in option a.

Issue 4: Evidential Hearings.

The program has requested 3 additional FTE and \$86,900 in operating expenses to provide disability determination evidentiary hearings as required by the Department of Health and Human Services (HHS). These positions were filled during fiscal 1985 through budget amendment. According to a letter received from HHS, the hearings are a requirement of the Social Security Administration. At the option of the states, the hearings may be conducted by federal hearings officers or the state administering agency (SRS) may hire sufficient staff to conduct the hearings. Funding for the additional FTE and operations is entirely federal.

Option a: Do not authorize the additional FTE and operating costs and request the Social Security Administration conduct the required hearings.

Option b: Authorize the additional FTE and operating costs. This option would require \$174,297 in federal funds for fiscal 1986 and \$174,247 in federal funds for fiscal 1987.

VISUAL SERVICES

<u>Budget Item</u>	Actual	Appropriated	---Current Level---		% Change
	Fiscal <u>1984</u>	Fiscal <u>1985</u>	Fiscal <u>1986</u>	Fiscal <u>1987</u>	1985-87 <u>Biennium</u>
F.T.E	20.85	21.65	20.45	20.45	(2.4)
Personal Services	\$405,252	\$475,093	\$461,566	\$462,525	4.9
Operating Expense	126,801	98,663	122,721	122,721	8.8
Equipment	6,311	10,403	6,311	6,311	(24.4)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>8,915</u>	<u>14,518</u>	<u>--</u>
Total Operating Costs	\$538,364	\$584,159	\$599,513	\$606,075	7.3
Non-Operating Costs	<u>277,940</u>	<u>215,782</u>	<u>272,060</u>	<u>288,928</u>	<u>13.6</u>
Total Expenditures	<u>\$816,304</u>	<u>\$799,941</u>	<u>\$871,573</u>	<u>\$895,003</u>	<u>9.3</u>
<u>Fund Sources</u>					
General Fund	\$240,179	\$271,495	\$228,634	\$236,507	(9.1)
Federal Revenue	<u>576,125</u>	<u>528,446</u>	<u>642,939</u>	<u>658,496</u>	<u>17.8</u>
Total Funds	<u>\$816,304</u>	<u>\$799,941</u>	<u>\$871,573</u>	<u>\$895,003</u>	<u>9.3</u>
 <u>ISSUE: Cost (Savings)</u>					
		-----Fiscal 1986-----		-----Fiscal 1987-----	
		<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Vendor Program Insurance		\$(1,669)	-0-	\$(1,699)	-0-

The Visual Services Program provides vocational rehabilitation services to the blind and visually impaired. In addition to physical restoration, services include; rehabilitation training, orientation and mobility, business enterprise, independent living, and visual services medical.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

The reduction of .8 FTE resulted from a program transfer of .8 clerical FTE to the Assistance Payments and Social Services Program. This reduction in FTE, plus several vacant positions have resulted in a \$70,538 surplus in the personal services budget. However, operating expenses were overspent by \$33,607 which was primarily due to a \$26,512 contract with Helena Industries to manage the Randolph Shephard Vending Stand Program. Supplies and materials were overspent by \$6,010, the majority of which was for educational materials and office supplies. Grants and benefits were overspent by \$68,207. A program transfer

of \$50,000 of federal funds was made from another program to cover the overexpenditure.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	21.65	20.85	0.8
Personal Services	\$475,790	\$405,252	\$ 70,538
Operating Expenses	93,194	126,801	(33,607)
Equipment	<u>10,113</u>	<u>6,311</u>	<u>3,802</u>
Total Operating Costs	\$579,097	\$538,364	\$ 40,733
Grants/Benefits	<u>209,733</u>	<u>277,940</u>	<u>(68,207)</u>
Total Expenditures	<u>\$788,830</u>	<u>\$816,304</u>	<u>\$(27,474)</u>
<u>Funding</u>			
General Fund	\$262,688	\$240,179	\$ 22,509
Federal Revenue	<u>526,142</u>	<u>576,125</u>	<u>(49,983)</u>
Total Funds	<u>\$788,830</u>	<u>\$816,304</u>	<u>\$(27,474)</u>

Current Level Adjustments

During fiscal 1984 the program was authorized 21.65 FTE. Program transfers during fiscal 1984 reduced the clerical positions by .8 FTE. However, .75 clerical FTE have been transferred from the vocational program to visual services to reflect actual work assignment. A .15 FTE rehabilitation counselor that has been vacant since fiscal 1983 was eliminated. A business enterprise manager position was eliminated. This 1 FTE had supervised the Blind Vendor Program; however the agency decided to contract for these services in fiscal 1984. This contract has been maintained in the 1987 biennium.

Contract services were reduced by \$2,080 for appraisal fees that will not be needed during the fiscal 1987 biennium and supplies have been reduced by \$2,000. The remainder of operating expenses are at the fiscal 1984 expenditure level.

Benefits for the program were authorized at \$209,733 for fiscal 1984. Actual benefits expenditures were \$277,824. Current level benefits include \$272,060 in fiscal 1986 and \$288,928 in fiscal 1987.

Funding

Federal sources of revenue include Supplemental Security Income (SSI), Social Security Disability Income (SSDI), and Section 110 of the Vocational Rehabilitation Act. The allocation of funds between the vocational rehabilitation

and visual services programs is not restricted by state or federal law and may be distributed between the programs to maximize use of federal funds. The following table compares fiscal 1984 actual expenditures by funding source and the fiscal 1987 biennium allocation.

Table 54
Comparison of the Funding Allocation for Fiscal 1984 Actual and
Fiscal 1986 and 1987

	<u>FY 84</u>	<u>FY 86</u>	<u>FY 87</u>
<u>Operations and Services</u>			
Supplemental Security Income	\$ -0-	\$ 3,750	\$ 5,250
Social Security Disability Income	-0-	7,500	7,500
Section 110	427,809	467,278	471,410
Training	3,219	3,750	3,750
General Fund	<u>107,336</u>	<u>117,235</u>	<u>118,165</u>
Total Operations and Services	<u>\$538,364</u>	<u>\$599,513</u>	<u>\$606,075</u>
<u>Grants and Benefits</u>			
Section 110-Vocational Rehabilitation	\$135,915	\$160,626	\$170,586
General Fund-Match 110	68,304	40,156	42,646
General Fund Visual Medical	64,539	71,278	75,696
Private Sector	381	-0-	-0-
CETA	4,815	-0-	-0-
JTPA	<u>3,986</u>	<u>-0-</u>	<u>-0-</u>
Total Grants and Benefits	<u>\$277,940</u>	<u>\$272,060</u>	<u>\$288,928</u>

Issue 1: Vendor Program Liability Insurance

Currently, the state pays all liability insurance for the seven Blind Vendor Programs. Table 55 presents the collections and disbursements of the seven vending programs.

Table 55
Collections and Disbursements of Vending Operation Income

<u>Transaction</u>	<u>Amount</u>
Balance, July 1, 1983	\$ 2,611
Collections:	
Set-aside from Vendors	\$4,458
Vending Machine Income	<u>4,367</u>
Total Collections	<u>\$ 8,825</u>
Total Funds Available	\$11,436
Disbursements:	
Maintenance of Equipment	\$1,546
Purchase of Equipment	<u>3,311</u>
Total Disbursements	<u>\$ 4,857</u>
Balance, June 30, 1984	<u><u>\$ 6,579</u></u>

*Source: Helena Industries

There are sufficient funds in the Randolph Shephard Set-Aside Program to pay the \$1,699 insurance annually and to continue to maintain equipment through the 1987 biennium.

Option a: Require the Randolph Shephard Set-Aside Program to pay all insurance costs associated with the vendor program. This will save \$1,669 of general fund each year.

Option b: Have the state general fund continue to pay the insurance costs.

DEVELOPMENTAL DISABILITIES DIVISION

Budget Item	Actual	Appropriated	---Current Level---		% Change
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	1985-87 Biennium
F.T.E	30.25	30.25	30.25	30.25	0.00
Personal Service	\$ 785,175	\$ 774,855	\$ 805,376	\$ 807,431	3.3
Operating Expense	265,320	250,511	234,747	230,665	(9.7)
Equipment	7,804	-0-	750	-0-	(90.3)
Inflation	<u>-0-</u>	<u>-0-</u>	<u>9,312</u>	<u>17,302</u>	--
Total Operating Costs	\$ 1,058,299	\$ 1,025,366	\$ 1,050,185	\$ 1,055,398	1.0
Non-Operating Costs	<u>13,387,491</u>	<u>14,087,496</u>	<u>14,253,667</u>	<u>14,966,352</u>	<u>6.3</u>
Total Expenditures	<u>\$14,445,790</u>	<u>\$15,112,862</u>	<u>\$15,303,852</u>	<u>\$16,021,750</u>	<u>6.0</u>
Fund Sources					
General Fund	\$11,056,094	\$12,047,411	\$3,648,204	\$ 4,970,336	(62.7)
Federal Revenue	<u>3,389,696</u>	<u>3,065,451</u>	<u>11,655,648</u>	<u>11,051,414</u>	<u>251.8</u>
Total Funds	<u>\$14,445,790</u>	<u>\$15,112,862</u>	<u>\$15,303,852</u>	<u>\$16,021,750</u>	<u>6.0</u>
ISSUE: Cost (Savings)					
		-----Fiscal 1986-----		-----Fiscal 1987-----	
		General Fund	Other Funds	General Fund	Other Funds
1. Standards Implementation	\$ 25,700	-0-	\$ 12,150	-0-	
2. Regional Administration	\$(1,200,000)	-0-	\$(1,200,000)	-0-	

The Developmental Disabilities Division is responsible for administration of the state's community based programs for individuals disabled by mental retardation, epilepsy, cerebral palsy, autism, or other related disorders that begin prior to the individual reaching eighteen years of age. Division staff are principally administrative and actual services to clients are provided through contracts between the division and 56 private agencies. Services provided include sheltered employment, day care, special transportation, adult and child group homes, evaluation and diagnosis, respite care, family training, and specialized family care.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	30.25	30.25	0.00
Personal Services	\$ 775,486	\$ 785,175	\$ (9,689)
Operating Expenses	236,486	265,320	(28,834)
Equipment	16,800	7,804	8,996
Total Operating Costs	\$ 1,028,772	\$ 1,058,299	\$ (29,527)
Grants/Benefits	13,209,130	13,387,491	(178,361)
Total Expenditures	<u>\$14,237,902</u>	<u>\$14,445,790</u>	<u>\$(207,888)</u>
<u>Funding</u>			
General Fund	\$11,203,379	\$11,056,094	\$ 147,285
Federal Revenue	3,034,523	3,389,696	(355,173)
Total Funds	<u>\$14,237,902</u>	<u>\$14,445,790</u>	<u>\$(207,888)</u>

The \$9,689 overexpenditure in personal services is primarily due to changes in the division that occurred as a result of the elimination of nine positions required by the 1983 legislature. Two of the positions eliminated were a grade 9 secretarial position and a grade 15 administrative officer. The agency filled these two positions and deleted a secretary I and administrative aide instead.

Overexpenditure in operating costs resulted primarily from a \$20,000 contract to field test a new set of service standards that had been developed by the division and provider organizations. The division also paid \$8,632 from contract services to support a study of the entire DD system conducted by the Governor's Office which was mandated by House Bill 909. Overexpenditures in personal services and operating costs were partially offset by a \$8,996 savings in the equipment category. The division had originally requested \$16,800 to purchase data processing equipment and a word processor. Actual equipment purchased included an IBM personal computer for \$6,105 and \$1,699 in general office equipment.

Benefits were overexpended by \$178,361. The costs for benefits in fiscal 1984 include \$524,616 for the transfer of 25 Boulder River School and Hospital residents to the community and \$145,600 to increase the salaries of group home parents. Both amounts have been incorporated into the actual fiscal 1984 expenditure. The annualized contracted fiscal 1985 total costs for benefits of \$14,480,053 exceeds the fiscal 1985 appropriation for benefits by \$392,557. The

following table presents the growth in services and service cost by category of service from fiscal 1983 through fiscal 1985.

Table 56
Growth of Developmentally Disabled Benefit Expenditures and Services
Fiscal 1983-1985

<u>Service</u>	<u>Fiscal '83</u>	<u>Fiscal '84</u>	<u>Actual Fiscal '85</u>	<u>Percent Increase FY '83-'85</u>
Vocational Placement	\$ 28,740	\$ 53,514	\$ 80,875	181.4
Intensive Group Home	559,264	885,205	1,275,195	128.0
Eval. & Diag.	398,120	293,003	340,071	(14.6)
Child Group Home	753,168	827,136	1,020,458	3.5
Adult Group Home	2,176,164	2,382,320	2,603,589	19.6
Family Train	931,488	1,040,624	1,105,810	18.7
Day Service	5,223,335	5,516,535	5,740,573	9.9
Indep. Living	552,160	495,421	525,473	(4.8)
Transportation	749,248	816,577	773,896	3.3
Adaptive Equip.	59,200	62,728	67,601	14.2
Respite	228,912	225,529	235,320	2.8
Trans. Living	202,068	222,234	247,071	22.3
Specialized Family Care	-0-	33,728	400,000	100.0
Child Summer Camp	-0-	23,997	39,406	100.0
Medical Coord.	-0-	13,486	14,715	100.0
Incentive Pay	12,480	7,366	10,000	100.0
Grants	-0-	488,088	-0-	-0-
Total Cost	\$11,874,347	\$13,387,491	\$14,480,053	21.9
Appropriation	\$10,070,049	\$13,209,130	\$14,087,496	39.9
Expenditures Above Approp.	<u>\$ 1,804,298</u>	<u>\$ 178,361</u>	<u>\$ 392,557</u>	N/A

As may be noted from the above table, expenditures for developmentally disabled benefits were \$1.8 million above the fiscal 1983 appropriation. For the 1985 biennium, the 1983 legislature funded this program expansion, moved approximately 25 people out of institutions, and added specialized foster care. In addition to an almost 40 percent growth in the appropriation for services, new services have been added since fiscal 1982. Of these six new services, incentive pay, medical coordination, and child summer camp were not considered by the legislature. Although the rate of increase has declined since fiscal 1983, the total service costs for the program have continued to grow.

Current Level Adjustments

Operation Costs: Personal services has been maintained at fiscal 1984 actual expenditures which includes the upgrades of two positions.

Operating expenses have been reduced \$30,573. The major reductions were \$20,000 for a one-time contract to develop new service standards and \$8,632 for the division's contribution in support of the HB 909 study of the DD system. Contract legal fees of \$1,700 and \$941 in consultant travel were also eliminated. Data processing was increased 5 percent or \$1,804 to reflect increased program data collection and analysis associated with the medicaid waiver and specialized family care programs. Repair and maintenance was reduced \$2,328. Other minor adjustments resulted in operating costs being reduced about 1 percent from the level appropriated for fiscal 1984.

Equipment is \$750 in fiscal 1986 for purchase of computer software.

Benefits:

Current level benefits for the 1987 biennium were calculated using the fiscal 1984 actual service slots multiplied by the fiscal 1985 contracted cost per slot. These costs were then inflated by 4.5 and 5 percent for fiscal 1986 and fiscal 1987. Because specialized family care was only funded for start-up costs in fiscal 1984, service slots for this program are included at the fiscal 1985 level. Costs associated with child summer camp, medical coordination, and incentive pay services have been excluded from the current level budget. These are new services that have not been approved by the legislature. The following table presents calculation of the current level benefits.

Table 57
Calculation of Fiscal 1986 and 1987 Current Level Developmentally Disabled Benefits

<u>Service</u>	FY 84	FY 85	<u>Total Cost</u>	- - Current Level - -	
	<u>Actual Slots</u>	<u>Contracted C/S</u>		<u>FY 86</u>	<u>FY 87</u>
Day Service	1,107	\$ 5,116	\$ 5,663,412	\$ 5,918,265	\$ 6,214,179
Adult Group Home	397	6,317	2,507,849	2,620,702	2,751,737
Family Training	380	2,710	1,029,800	1,076,141	1,129,948
Child Group Home	57	17,903	1,020,471	1,066,392	1,119,712
Intensive Group Home	46	18,217	837,982	875,691	919,476
Transportation	975	721	702,975	734,609	771,339
Independent Living	176	2,969	522,544	546,058	573,361
Specialized Family Care	30	13,333	400,000	418,000	438,900
Evaluation & Diagnosis	287	1,189	341,243	356,599	374,429
Transitional Living	56	4,492	291,980	305,119	320,375
Respite	466	504	234,864	245,433	257,705
Vocational Placement	14	3,111	43,554	45,514	47,790
Adaptive Equip.	<u>160</u>	<u>270</u>	<u>43,200</u>	<u>45,144</u>	<u>47,401</u>
Total	<u>4,151</u>		<u>\$13,639,874</u>	<u>\$14,253,667</u>	<u>\$14,966,352</u>

Funding

As part of the Omnibus Reconciliation Act of 1980, congress created the Social Services Block Grant which replaced federal Title XX funding. This block grant has few restrictions on its use. It does not require any state match and allocation of the block grant funds among social service programs is at the discretion of the state. Because of this flexibility in use of the block grant, these funds may be considered similar to the general fund in terms of allocation. During fiscal 1984, SRS used Social Services Block Grant Funds for administration and/or benefits in six different programs. To simplify accounting procedures and to provide a clear track of block grant expenditures, the current level budget has consolidated all social service block grant funds in the developmental disabilities program. This consolidation provides easier and clearer legislative oversight of expenditures of these federal funds, and does not reduce or alter any existing programs. Where block grant funds had been used to support another program, these funds were replaced with general funds for the 1987 biennium. The following table shows the fiscal 1984 and 1987 biennium funding by source of funds.

Table 58
Funds Available for Developmental Disabilities by Fund Source

<u>Fund Type</u>	<u>Fiscal 1984</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
General Fund	\$11,056,094	\$3,648,204	\$4,970,336
Social Services Block Grant	1,351,782	9,625,545	8,981,276
LIEAP-transfer to SSBG	1,229,769	1,229,393	1,229,393
Medicaid	808,145	800,7105	840,745
Total Cost	<u>\$14,445,790</u>	<u>\$15,303,852</u>	<u>\$16,021,750</u>

Issue 1: Standards Implementation

During the 1985 biennium, the agency contracted to develop a new set of service standards for the DD programs. The service standards were an outgrowth of the findings of the Developmental Disabilities Contracting Advisory Committee (DDCAC) that was organized at the request of the Legislative Finance Committee to solve problems between SRS and the DD contractors. The contract for \$20,000 was to field test a new set of standards and determine their appropriateness for Montana's DD system. During the 1987 biennium, the agency is requesting \$15,000 in fiscal 1986 and \$10,000 in fiscal 1987 to implement the new set of standards. In addition to the contract to implement the standards there are additional costs of \$9,700 in fiscal 1986 for printing, \$1,150 in fiscal 1987 for photographic services, and \$1,000 per year for honorariums to continue the DDCAC.

Option a: Include additional funding to implement the proposed service standards. This would cost \$25,700 in fiscal 1986 and \$12,150 in fiscal 1987.

Option b: Require the agency to fund the implementation of the standards from current level.

Option c: Do not allow implementation of standards.

Issue 2: Administrative Reorganization.

In response to the mandates of the 1975 legislature to develop community based programs for the developmentally disabled and to deinstitutionalize the population of the Boulder River School and Hospital, the DD division has developed a complex network of over 56 different local corporations with whom they contract for services. Although the number of different corporations may provide some assurance of local control and involvement with DD programs, such a system also

has a large administrative overhead cost that diverts scarce resources away from direct services. The following table presents the fiscal 1985 personal service costs of the program directors and their business offices by region. Table 59 also shows the administrative costs of the Mental Health Division which are \$1.2 million less than the DD Division.

Table 59
Comparison of Administrative Costs for DD and
Community Mental Health Programs

<u>Disability Determination</u>	<u>Directors</u>	<u>Business Office</u>	<u>Total</u>	<u># Contracts</u>
Region I	\$ 198,673	\$112,389	\$ 311,062	9
Region II	236,889	164,653	401,542	9
Region III	176,321	80,997	257,318	12
Region IV	269,246	238,785	508,031	16
Region V	<u>223,561</u>	<u>144,911</u>	<u>368,472</u>	<u>10</u>
Total	\$1,104,690	\$741,735	\$1,846,425	56
<u>Mental Health</u>	<u>Directors</u>	<u>Business Office</u>	<u>Total</u>	
Region I	\$ 52,069	\$ 57,407	\$ 109,476	1
Region II	42,317	107,325	149,642	1
Region III	49,674	79,867	129,541	1
Region IV	50,000	93,000	143,000	1
Region V	<u>54,309</u>	<u>61,737</u>	<u>116,046</u>	<u>1</u>
Total	\$ 248,369	\$399,336	\$ 647,705	5
Difference	<u><u>\$ 856,321</u></u>	<u><u>\$342,399</u></u>	<u><u>\$1,198,720</u></u>	

The above estimates include only the personnel costs and do not identify associated administrative operating expenses. Positions included as directors are director and executive director. Included as business office are business managers, bookkeepers, payroll clerk, vice president of finance, comptrollers, and accountants.

In addition to the community based administrative overhead that is associated with a large number of contract agencies, the size of the DD division staff may also be a direct result of having to interact with the diversity of management policies associated with as many as 56 separate corporations. Many of the functions that are currently performed by the division, such as data collection

and analysis, standards and policy development, and program evaluation and monitoring could be delegated to a regional office. Contract negotiation and monitoring would be appreciably simplified if the number of contracts were reduced from 56 to 5. The following table compares the staff and total program responsibility of the DD division and the mental health division.

Table 60
Comparison of DD and MH Division Staff and Program Responsibility for Fiscal 1984

<u>Program</u>	<u>Total Staff</u>	<u>Staff Cost</u>	<u>Total Program Responsibility</u>
Developmental Division	30.25	\$785,175	\$14,237,902
Mental Health Division	5.00	\$167,778	\$44,037,393

The comparison of the two divisions is not intended to imply that the function of the additional staff within the DD Division are unnecessary. Most of these functions are also provided within the mental health system, but are conducted at the regional level by the regional mental health centers.

Option a: Require the agency to adopt a regionalized administrative structure for the DD system during the 1987 biennium. Potential savings could be \$1.2 million per year.

Option b: Require the agency to develop a proposal for the 1987 legislature that provides a detailed analysis of the feasibility and possible savings that would accrue from reorganization of the DD system.

Option c: Require the agency to report back to the subcommittee on savings which can be implemented immediately in fiscal 1986 and 1987.

Modified Requests

In addition to their current level budget request, the agency has submitted the following modified requests for additional services.

Table 61
1987 Biennium Developmental Disabilities Division Modified Requests

<u>Modified Request</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Biennium</u>
Conferences on Development	\$ 14,388	\$ 16,605	\$ 30,993
Waiting List Expansion	903,318	2,337,136	3,240,454
Direct Care Staff Salaries	250,000	250,000	500,000
Medicaid Budget Amendment	214,227	227,509	441,736
Group Home Remodeling	50,000	50,000	100,000
Increased Staffing	494,162	517,694	1,011,856
Group Home Salaries	112,000	112,000	224,000
Increase Transportation	80,000	80,000	160,000
Increase Respite Care	90,000	90,000	180,000
Replace LIEAP with General Fund	1,100,000	1,100,000	2,200,000
Total	<u>\$3,308,095</u>	<u>\$4,780,944</u>	<u>\$8,089,039</u>

DEVELOPMENTAL DISABILITIES PLANNING AND ADVISORY COUNCIL

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>---Current Level---</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1985-87</u>
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Biennium</u>
F.T.E	2.00	2.00	2.00	2.00	0.00
Personal Service	\$ 46,005	\$ 45,981	\$ 48,495	\$ 48,759	5.7
Operating Expense	28,147	41,519	32,687	32,687	(6.1)
Inflation	-0-	-0-	1,539	2,626	--
Total Operating Costs	\$ 74,152	\$ 87,500	\$ 82,721	\$ 84,072	3.1
Non-Operating Costs	169,002	162,500	166,277	164,544	(0.2)
Total Expenditures	<u>\$243,154</u>	<u>\$250,000</u>	<u>\$248,998</u>	<u>\$248,616</u>	<u>.9</u>
<u>Fund Sources</u>					
Federal Revenue	<u>\$243,154</u>	<u>\$250,000</u>	<u>\$248,998</u>	<u>\$248,616</u>	<u>.9</u>

The Developmental Disabilities Planning and Advisory Council (DDPAC) advises state agencies, other councils, local governments, and private organizations on programs and services to persons with mental retardation and other developmental disabilities. A major responsibility of the DDPAC staff is the coordination and writing of the annual state plan for the statewide community based and institutional programs. DDPAC also contracts with a variety of agencies to provide

direct-service demonstration and training projects. This program is federally funded under PL 95-602.

Of the program's total budget, federal law requires that 65 percent of the funds be spent in support of services for the developmentally disabled that would normally fall under the category of grants and benefits. However, beyond such general guidelines as "providing model service programs" and the provision that funds may not be used to supplement state funds or be used in continuous support of a program, federal regulation places few limits on the agency's expenditure of these funds.

Fiscal 1984: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1984 actual expenditures and funding to allocations as anticipated by the 1983 legislature.

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	2.0	2.0	0.00
Personal Services	\$ 46,449	\$ 46,005	\$ 444
Operating Expenses	41,051	28,147	12,904
Total Operating Costs	\$ 87,500	\$ 74,152	\$13,348
Grants/Benefits	162,500	169,002	(6,502)
Total Costs and Funding	<u>\$250,000</u>	<u>\$243,154</u>	<u>\$ 6,846</u>

The \$13,348 surplus in operating costs resulted primarily from reduced expenditures in contracted services and travel. Savings from operational costs were shifted to the grants and benefits portion of the budget to cover overexpenditures in that category.

During fiscal 1984 a total of \$50,748 was spent by DDPAC in support of the specialized foster care program before the department changed the funding of the specialized foster care program to the developmental disabilities (DD) division under the medicaid waiver program. The balance of \$118,253 was spent for a variety of small direct services programs such as a public awareness of epilepsy, recruitment of volunteers for DD programs, and development of resource training materials for parents of DD children.

Adjustments to Current Level

Personal services and operating costs were retained at current level. Because the program is administratively attached to SRS and only employs two FTE, no vacancy savings has been applied to the program.

The balance of funds are allocated to grants and benefits for a total of \$166,277 in fiscal 1986 and \$164,544 in fiscal 1987.

Issue 1: Developmental Disabilities Benefit Funding

The DD division has requested a total of \$8,089,039 over the 1987 biennium in modified services. The DDPAC benefit funds are not restricted in their use except that they must be applied to new services and cannot be used to provide continuous support for a program. Previous legislatures have limited the service that could be provided under the grants and benefits. The 1981 legislature included language in the appropriation bill that required the use of grants and benefits in direct services to clients and prohibited expenditure of funds for studies. The 1983 legislature directed that all grants and benefits be used in support of the specialized foster care program during the 1985 biennium, "unless the department can utilize other funding sources." Thus, DDPAC funds have been previously allocated by the legislature for use in a specific new program. Without such specific designation, the DDPAC can spend the funds for a variety of projects or studies.

Option a: Designate that DDPAC benefit funds be used to fund a new service proposed by the DD division. If the new service proposed were otherwise funded by general funds, such designation would save \$166,277 general funds in fiscal 1986 and \$164,544 general funds in fiscal 1987 for expanded services in the DD program. However, because federal law restricts DDPAC funding to new programs, these savings would be realized only during the 1987 biennium and if the programs were to be continued in the 1989 biennium other funds would be required.

Option b: Allow the DDPAC to expend the benefit funds as they deem appropriate for direct client services only.

Option c: Allow the DDPAC to expend the funds as they deem appropriate.

INDEX

	<u>PAGE</u>
Administration, Department of	264
Adjutant General	306
Agriculture, Department of	446
Arts Council	703
Auditor, Legislative	57
Auditor, State	134
Commerce, Department of	461
Community Colleges	768
Consumer Counsel	87
Council, Legislative	69
Crime Control, Board of.	190
Deaf and Blind, School for	647
Disaster and Emergency Services (see Military Affairs)	312
Employment Security Division	915
Environmental Quality Council	91
Fiscal Analyst, Legislative	64
Fish, Wildlife and Parks, Department of	332
FTE Comparison	16
General Fund Expenditures by Sucommittee Area	5
General Fund Expenditure Summary by Agency	17
General Fund Summary.	13
General Fund Supplemental Request in Executive Budget.	15
Governor, Office of the	104
Health and Environmental Sciences, Department of	836
Higher Education	
Colleges & Universities	807
Agricultural Experiment Station	774
Bureau of Mines.	793
Commissioner of Higher Education	749
Community Colleges	768
Cooperative Extension Service	798
Forestry and Conservation Experiment Station	803
Regents, Board of.	747
Highways, Department	225

	<u>PAGE</u>
Highway Traffic Safety	187
Historical Society	717
Inflation Factors Used in Budget Analysis	48
Institutions, Department of	
Boulder River School and Hospital	554
Center for the Aged.	565
Central Office	
Director's Program	515
Management Services Division.	518
Alcohol and Drug Abuse Division	525
Mental Health and Residential Services	549
Corrections Division	531
Eastmont Training Center	571
Montana State Hospital	616
Montana Youth Treatment Center.	632
Mountain View School	576
Pardons, Board of.	629
Pine Hills School	580
Prison, State	584
Swan River Youth Forest Camp	606
Veterans' Home	610
Judiciary	94
Justice, Department of	146
Labor and Industry, Department of	899
Lands, Department of State	367
Legislative Auditor	57
Legislative Council	69
Legislative Fiscal Analyst	64
Library Commission	734
Livestock, Department of	395
Long-Range Building (see Summary of Budget Issues)	12
Military Affairs, Department of	304
Natural Resources and Conservation, Department of	416

Other Education

Advisory Council for Vocational Education	700
Distribution to Public Schools	675
Fire Services Training School	643
Historical Society	717
Montana Arts Council	703
Office of Public Instruction	658
Public Education, Board of	639
School for the Deaf and Blind	647
State Library Commission	734
Vocational Technical Centers.	687
Pay Plan	50
Political Practices, Commissioner of	130
Public Education, Board of	639
Public Service Regulation	323
Revenue, Department of	194
Revenue Projection, General Fund	21
Secretary of State	122
Social and Rehabilitation Services, Department of	937
State Auditor	134
State Library	734
Summary of Budget Issues.	8
Superintendent of Public Instruction	658
Supreme Court	97
Total Expenditures by Subcommittee Area	7
University System (see Higher Education)	807
Veterans' Affairs	318
Vocational Education, Advisory Council for	700
Vocational-Technical Centers	687
Workers' Compensation	929

465 copies of this public document were published at an estimated cost of \$24.00 per copy, for a total cost of \$11,160.00, which includes \$11,160.00 for printing and \$.00 for distribution.

